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A large, bold checkmark is positioned to the left of a stack of several papers or documents. The papers are slightly fanned out, showing different pages with some text and diagrams. The entire graphic is rendered in a high-contrast, black-and-white style.

in this issue...

BUSINESS AND THE SPACE AGE

- **The why...** Where does business fit into the space picture? For both philosophical and practical reasons, the United States has always preferred private enterprise to government control, but many people seem to feel that we must adopt something resembling the Soviet system in order to keep pace with Russia in the vital area of space technology. In the opening article of this special section (page 4), RALPH CORDINER points out why this view is fallacious—why U.S. business not only can, but *must* play an important role in the exploration and use of space.
 - **...and the how.** But getting in on fast-moving space-age developments is easier said than done. Just what practical steps should management be taking? On page 16, Dr. PHILIP MARVIN outlines the ways and means by which technically oriented companies can explore the potentialities of the space age for themselves—and make the most profitable use of the opportunities that its new technologies will bring.
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- **Meet the Press...** Although relatively few companies still regard publicity as a series of press agents' stunts, the fact remains that many a newsworthy corporate story never finds its way into print—or worse still, *does*, and conveys the wrong impression. In his article on page 22, DAVID FINN sets forth some ideas that management should find useful in strengthening its publicity efforts—and getting results with a minimum of waste motion.

—THE EDITORS

THE MANAGEMENT REVIEW

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BUSINESS AND THE SPACE AGE:

I. Where Private Enterprise Fits into the Picture

■ ***Ralph J. Cordiner***

*Chairman of the Board
General Electric Company*

THE ADVANCED INDUSTRIAL NATIONS can now send objects off the planet into space. This new capability opens a whole new frontier to human exploration, development, and use. At this stage, the new frontier may look rather unpromising to the profit-minded businessman. But then, so it must have seemed to the Greeks when

Jason returned from his exploratory trip into the Black Sea; or to the Phoenicians, when their first explorers returned from the wild and savage shores of the Western Mediterranean. Most of the Greek and Phoenician traders, in 1000 B.C., probably preferred to invest their money in a good safe cargo of grain or wine, shipped over familiar sea lanes to familiar markets. But apparently a few traders, and later colonists, had the vision to see possibilities where other men saw nothing, because in a few centuries the Black Sea and the Western Mediterranean became familiar and profitable regions, enlarging the resources available to civilized man.

Every new frontier presents the same problem of vision and risk. According to Herodotus, the Pharaoh Necho of Egypt sent a crew sailing around the continent of Africa about 600 B.C. If Egypt had followed through with further exploration and economic development, Africa today might be a highly developed continent. But the vision was lacking, and no civilized man again saw South Africa for 2,000 years. Lief Erickson discovered America 500 years before Columbus, but apparently the Vikings did not have the vision to see anything worthwhile on that vast, empty continent, and so history waited for another half millenium.

Our own Western frontier seemed so unpromising just 157 years ago that the Emperor Napoleon, hard pressed for money, sold all the land from the Mississippi River to the Continental Divide to the young United States for only \$23,000,000, including interest. Thomas Jefferson did not know what he bought, but he sent Lewis and Clark to find out, and private traders, homesteaders, and businessmen followed in their path to turn the empty wilderness into the heartland of a great nation.

Even in our own time, we have had prominent men who stated that airplanes would never fly faster than sound, that intercontinental missiles could not be developed, and that space flight was nothing more than a comic-strip fantasy.

Whenever a new frontier is opened, the new territory always looks vast, empty, hostile, and unrewarding. It takes an immense effort of imagination for the citizens to see beyond the initial difficulties. No one would pretend to foresee all the economic, political,

This article is based on an address by Mr. Cordiner at the University of California in Los Angeles.

social, and cultural changes that will follow in the wake of the first exploratory shots into space, any more than the people in the days of Columbus could foresee the twentieth-century world. But such an effort at prophetic imagination is what is required of us as citizens, so that we will not, like Lief Erickson, leave the making of the future to others.

IMPACT ON THE ECONOMY

It appears that the exploration of space is going to depend for many years primarily on government financing and, hence, on government direction and control. That will be true because even the peaceful exploration of space offers relatively little commercial opportunity for private business in the years immediately ahead.

If the space effort were only a minor activity, dependence on government financing and control would have little economic impact. But the fact is that the military and peaceful needs of the space program are already employing a significant percentage of the industrial work force and will make up an even larger proportion of total employment and production of the country as the years go by. The aircraft industry, for example, is broadening its scope to include missile and space technologies. Much of the electronics industry is devoted to missile and space needs. The communications, chemical, and metallurgical industries are increasingly involved. These industries are already among the largest employers in the United States, and they are the major employers of the nation's technical manpower. Hence, we are not speaking of a minor element in the national economy, but of its leading growth industries. These industries are subject to ever-increasing government influence by way of government contracts. And the Space Age is only beginning.

Research and development are also drifting under government control. For reasons of defense and space exploration, the federal government has become the nation's primary sponsor of research and development in practically all of the new technologies. The area of independent research and development by private industry and private universities is becoming proportionately smaller. This means that the pace and direction of progress in most of the leading technologies are substantially under the control of government agencies.

The situation is made worse by the fact that, under the National

Space Act, any inventions first applied in connection with a federal space project, regardless of how they were developed, automatically become the exclusive property of the government. This greatly reduces the incentive for the company that made the invention to develop it for the benefit of consumers and industrial customers. It does not take a prophet to see the long-term effect of this situation on the future independence of the universities and the future vitality of private enterprise.

NATIONALIZED INDUSTRY?

An even more disturbing effect of the growth of government-sponsored research and development is the temptation for the federal government to build its own facilities and employ its own personnel in the technical fields, or to establish so-called nonprofit corporations that are totally dependent on government contracts. However generous their motives, these nonprofit organizations are usurping a field traditionally served by private consulting firms and producer companies, and hence are little more than a blind for nationalized industry competing directly with private enterprise—on a subsidized, non-taxpaying basis. Since the space effort will, for a long time, be primarily a research and development effort, this tendency could lead to an unexpected, and perhaps undesirable, build-up of government-controlled facilities. Looking to the future, when the space frontier has been explored and is ready for economic development, we might well find the area pre-empted by the government, which would then have most of the personnel and facilities available. This would leave the nation almost no choice except to settle for nationalized industry in space.

This does not mean that the people who work in government arsenals and laboratories or nonprofit organizations are any less competent or dedicated than those who work in private industry. It does not mean that government laboratories should be dismantled, because many of them serve a useful function. The government needs a certain number of experienced technical men to help make realistic choices as to future missions, to set high standards of performance, and to provide technically sound policy guidance. That cannot be done by men who are not actively engaged in space research and development. Hence a certain percentage—perhaps as

much as 5 per cent—of the technical work of the space program is best done in government laboratories. They should be well staffed and well financed.

But we must recognize that there are growth tendencies in these agencies that could cause them to overexpand under the pressures of the space program, unless proper safeguards are established. As we step up our activities on the space frontier, many companies, universities, and individual citizens will become increasingly dependent on the political whims and necessities of the federal government. And if that drift continues without check, the United States may find itself becoming the very kind of society that it is struggling against—a regimented society whose people and institutions are dominated by a central government.

OUR PLURALISTIC SOCIETY

It is important, as we undertake this long and expensive race into space, that we bear in mind the kind of society we wish to maintain and develop. We in the United States have a political and economic system that, in spite of its imperfections, is the most productive and admired system in the world. It not only preserves but utilizes human freedom as the key to social and economic progress. We want to maintain this free society in a world where many factors are pushing nations toward statist systems.

One of the basic principles of the American system is the principle of decentralized power. This country has what is known as a "pluralistic society." There is not just one basic source of initiative and decision here, as in the government-controlled societies. Rather, in the United States, there are many competing points of initiative, risk, and decision—and that is the secret of this nation's drive and creativity.

There are millions of private institutions—colleges, churches, business firms, and associations of all kinds—that do not report to a common center of decision, but operate independently and competitively, trying to excel in their own limited areas of interest. In the government area, there are many governmental units at state and local levels that do not report in a chain of command up to the federal executive, but rather have their own limited areas of authority. Even our national government is a government of limited con-

stitutional powers, which, for further protection of the individual, is divided into separate executive, legislative, and judicial branches.

In our society, final authority for nearly all decisions rests with the individual citizens. Through the political system, citizens elect and remove their government representatives. Through the market system, individuals make personal economic decisions as to what to buy, where to work, how much to save, and where to invest. By this intricate system of decentralized personal decisions, the people direct—with a precision that no centralized system could ever hope to match—the course of the economy, the allocation of resources, and the character of national life in accordance with their own personal wishes. The people, not some self-selected government elite, decide the course of the nation. This decentralization of power is the strength of the free society, and it must be preserved.

THE COMPETITIVE SYSTEM

In the economic sphere, the principle of decentralized power expresses itself in the system of competitive private enterprise, operating in a basically free market. The competitive system offers many advantages that are not available to centrally controlled economies—and these advantages should be utilized in the space effort and the defense program, as well as in the rest of the economy.

The competitive system, with its profit-and-loss disciplines, puts men and companies to the test as no other system does. It rewards the creative and the efficient. It penalizes the unimaginative and the inefficient. It provides an incentive for risk, not only on the obvious ideas, but also on the "long shots." It provides a natural and effective system for the elimination of failure, complacency, and delay. At its best, the competitive economy has a vigor, diversity, creativity, and efficiency that no controlled economy can match.

The rapid progress of the Soviet Union in missile and space technology demonstrates how a controlled economy can ruthlessly concentrate major resources in a particular field of technology and achieve rapid results—while neglecting other fields and keeping the population at a low level of living. Some have taken this to mean that the United States, in order to move out ahead of the Soviet Union in space technology, must adopt something like the Soviet method of strict government control of that technology.

Such an imitative procedure is doomed to failure. The United States has its own more effective way of concentrating efficient effort on a technical project of importance to the national security—and that is for the people, through government, to determine the objectives to be attained, and then to turn most of the technical work of achieving those objectives over to the private firms that have the managerial and technical capacity to get the work done—using competition and profit-or-loss incentives to the maximum. This country can surpass the Soviet Union in any technology it selects—if it will use, rather than suppress, its basic strength.

National economic and military progress will be faster and more solid, and the freedoms we cherish will be preserved, if competitive private enterprise does as much of the nation's scientific and technical work as possible, with government providing the legal and policy framework that will stimulate outstanding technical performance.

THE VENTURE INTO SPACE

On the basis of these principles, let us now attempt to foresee the general outlines of the venture into space and try to determine the specific roles of the government and private enterprise.

The exploration and use of space, like any other exploitation of a new frontier, will probably proceed in three main stages:

1. Exploration.
2. Economic development.
3. Mature economic operation.

These will not be entirely separate periods; rather, it will be an expanding picture. At first, the space around the earth must be explored. Then exploration will move out to the nearby planets, and economic development will begin near the earth. Before long, all three phases may well be operating simultaneously. The major area of exploration could then be, for example, the outer solar system, including the less dense planets Jupiter, Saturn, Uranus, Neptune, and Pluto. Preliminary economic development may at that time be starting in the area of the moon and the nearby planets, and space immediately around the earth—where most of the present satellites are in orbit—may be entering into mature, systematic economic operation with such commercial industries as long-distance com-

munication on a large scale, private weather forecasting and modification, and terrestrial rocket transport.

STAGE 1: EXPLORATION

The first era, already launched, is the exploratory period of sending out satellites and other space vehicles—at first unmanned, then manned—to see what is in space. Basically, this is the stage of scientific research, bringing back as much scientific data as possible. It will not offer many opportunities for commercial (as opposed to governmental) business for private firms.

The scale and character of this exploratory space activity is indicated in the ten-year program recently submitted to the Congress by the National Aeronautics and Space Administration. This program envisions the launching of 263 exploratory space vehicles in the next decade, at a cost of about \$15 billion. That is the estimated launching cost, and it is not clear whether the estimate includes expenditures for constructing and equipping laboratories and bases, for manning such facilities, and for research and development costs of newer space vehicles and propulsion systems in preparation for the following decade. It appears that the annual budget of the National Aeronautics and Space Administration, approaching a billion dollars in fiscal 1961, could in a very few years run over \$3 billion annually, if its program is approved.

The scale of this exploratory work, the cost of it, the lack of any financial return for a long time, and the extra expense of the haste necessitated by international power politics—these almost necessarily make the exploration of space primarily a government-sponsored and government-financed operation.

However, the management and operation of these exploratory operations should be done primarily through government contract by private firms, with competitive incentives for superior performance and penalties for failure. Private firms and private universities should design and produce most of the apparatus required.

This approach will not only utilize the most experienced scientific and technical organizations in the country, but will also accomplish the objectives faster and more economically and will help prepare the companies for the day when commercial businesses can be conducted utilizing space technologies.

Probably the first opportunities for private investment will come in the commercial use of satellites. Private companies are already involved in the development of a satellite communication system. Looking even farther into the future of space exploration, perhaps there would be economic justification for a privately owned launching service that would put objects into space for the peaceful purposes of friendly governments, international agencies, industry, and the universities. The private company would put so many pounds of payload into such-and-such an orbit, at an agreed price. At present, the idea has little appeal, since the government's Scout program will for a time offer this service free to other nations. But as the number and variety of nonmilitary scientific space launchings increase, and as other nations no longer wish to be dependent on the United States government, the possibility may be worth exploring.

A Private Monopoly?

One of the standard criticisms of the entry of private business into fields requiring such high capital investments and depending so much in the beginning on government business is that the government may actually be helping to establish a private monopoly. For example, some years from now there may be enough business for one commercially operated launching service, but not for several competing facilities. In this case, it is argued, you do not get the advantages of competition, so why not establish a government facility in the first place?

There are three good answers to this argument: (1) The private facility, even if it is temporarily a monopoly, still has to meet the discipline of earning a profit and avoiding a loss, and hence would be more efficient than a government facility; (2) the government would in effect regulate this monopoly, because it would be the major customer for some time; and (3) the monopoly would be only temporary. It would serve the important function of laying the groundwork for competitive private enterprise in the particular field and keep it from being pre-empted by government enterprise.

The story of transoceanic air transportation is an illuminating example. In the early 1930's, there were no transoceanic airlines. But it was obvious, technologically, that scheduled transatlantic and transpacific air traffic would someday be possible. To assure leader-

ship for the United States in this important field, Pan American Airways explored the routes and established scheduled transoceanic service. At that time there was no American flag competition in transoceanic air travel, and government air mail contracts were granted to help make the business possible in the early years. This proved to be a wise policy, because United States leadership in international air transportation is now a fact. And Pan American has long since ceased to be the only transoceanic service. International air travel is now a vigorously competitive business, providing reliable, low-cost service for millions of passengers every year.

Surely this instructive example shows how industry and government can cooperate to assure that United States leadership will be established in the peaceful uses of space, on the competitive private enterprise basis that assures efficient low-cost service for the public.

The challenge, of course, is primarily to industry itself. Private enterprise must have the vision and courage to encompass its emerging opportunities, invest the capital, and work for the legal and policy changes essential for success.

STAGE 2: ECONOMIC DEVELOPMENT

As the exploration of space pushes farther and farther out, the "inner space" near the earth will become sufficiently familiar for the next stage to begin: the stage of economic development. The developmental period will be a period of infant industries, expensive risks, and much use of government-acquired information as the basis for getting industries started. Most likely the first businesses suitable for commercial operation, using space technologies, will be worldwide communication by satellite, private weather forecasting, and high-speed earth transport by rocket.

Businessmen who believe in the competitive private enterprise system are generally opposed to subsidies, with two classical exceptions: defense industries and infant industries of national importance. Most of the early space business will qualify on both counts.

The preponderance of the research and developmental work and special facilities should at first be financed by government, because of the national interest in establishing United States leadership. But the companies concerned—in their own interests—should also invest in appropriate facilities and manpower to conduct research

and development. As an area of space becomes familiar, government-financed research and development should be shifted outward or to other projects of national interest, and private capital should complete the developmental work.

In these areas with commercial potential, the government should avoid the temptation to build operating facilities (under the guise of demonstration units) that will tend to pre-empt the field for tax-subsidized government enterprise and prevent the establishment of private facilities. For example, if in the 1930's the United States had established a nationalized airline instead of helping Pan American to lay the groundwork for international air travel, it is likely that international air travel would still be a government monopoly as far as the United States is concerned. The public then would not have the advantage of many airlines competing for their business.

Private industry should move as fast as possible to establish these early space businesses, so that the government can shift its efforts to the many other areas of exploratory work.

STAGE 3: MATURE ECONOMIC OPERATIONS

Finally, we come to the stage of mature economic operations in space. As areas of space become familiar, and businesses become established, the government should phase itself out of this area of economic and technical work, and do all it can to encourage the growth of a vigorous, competitive private enterprise economy.

What these commercial businesses in space may be, no one really can say, because we know so little about the potentials. Usually one of the first commercial operations in a new frontier area is to bring back raw materials not available in the home land. It is entirely possible—although many experts now think otherwise—that new or rare minerals and chemicals will be found on the moon and planets, and among the asteroids, that will be unexpectedly useful here on earth. As space transportation becomes more reliable and less costly, and the means of sustaining life in space are developed, it may become economically feasible to mine and bring back these rare metals and chemicals, just as it was worthwhile to haul incense and silk halfway around the world in slow sailing ships five hundred years ago. Some have suggested that, as techniques advance, it might be possible to mount rockets on an asteroid of pure iron or pure

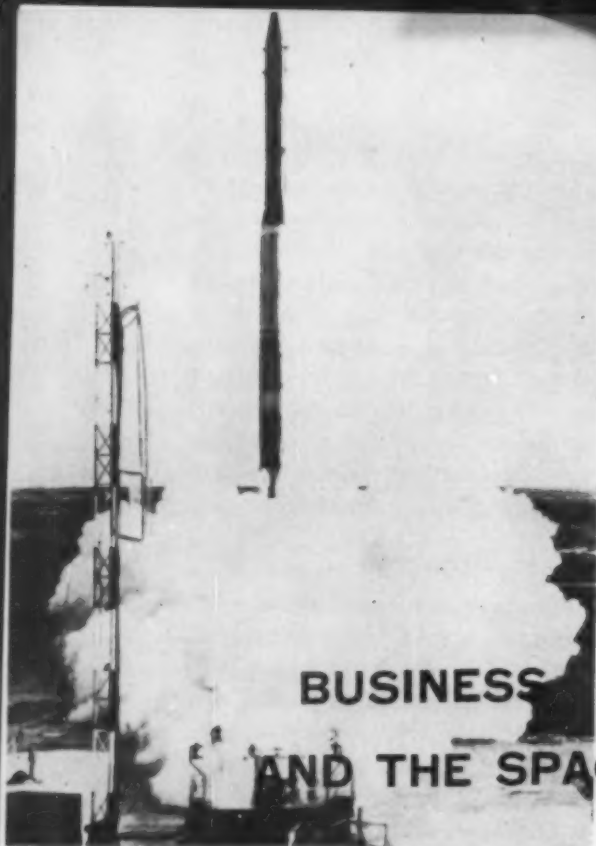
nickel—if such exist—and orbit the huge mass of metal down to earth. With high-grade earth sources of metal becoming scarcer with each passing decade, the idea of bringing in a new Mesabi from outer space may be less fantastic in thirty or forty years than it is now. Perhaps the radiant energy of space can somehow be controlled and made useful. Perhaps new medical resources, or new food resources, can be found on other planets. It does not seem probable, but who is to say? Space travel itself, at first for research and then for commercial purposes, may well develop into an economically profitable competitive business. No one can predict how, or even whether, outer space will offer resources that are useful to man; but some very unpromising frontiers in the past have been tamed.

FREEDOM—OR REGIMENTATION?

The world is extending its boundaries out from the planet into space—a tremendous enlargement of the area in which man will find resources for living. To explore and tame the new space frontier will require a great technological effort. The very effort will force many new inventions that not only will be useful to us in space, but can greatly advance industrial productivity and levels of living in the United States and the rest of the world.

Yet the real question that faces citizens at the threshold of the space age is not whether the technical achievements will be made, but how they will affect human life. Will the drive for space push mankind into a steel trap of regimentation, or will it open up new vistas of creativity and freedom? Will the new, larger world of the future, with its boundaries moving out to the other planets and beyond, be a free world or a regimented world?

The answer to this question, the heritage we leave our children, will be determined to a large degree by how the United States—the world's leading industrial nation—goes about the exploration and development of space. If we go at it by the route of regimentation and government enterprise, if we allow the communist powers to establish our course, patterns will be set that will be almost impossible to break. On the other hand, if we use the strength of competitive private enterprise, we will not only advance faster, but will help to assure that the world of our children will be a free world, honoring the dignity and creativity of man. ♦



BUSINESS AND THE SPACE AGE:

II. Guides for Immediate Management Action

■ **Philip Marvin**

*Manager, Research and Development Division
American Management Association*

ONE OF THE DANGERS accompanying any new development is the tendency to become so intrigued by novelty that reality is overlooked. Space-age developments certainly captivate the imagination. That changes will take place is recognized and accepted. But there is a tendency to project these changes into the future

without realistically facing the fact that many changes have already taken place—changes affecting both companies and individuals.

It's not too late to start thinking about space technology from a practical business viewpoint. Foundations for space-age business are being built now. There are, of course, problems; problems always accompany any change. But technological developments and the changes they bring about also provide profit opportunities, and alert businessmen can act quickly to capitalize upon them as rapidly as they appear upon the horizon.

Changes take place today at an accelerated rate, and a still faster pace is inevitable. As research budgets are stepped up each year, the new ideas that are the end product of research create new opportunities for aggressive businessmen whose capacity to adjust to new conditions hasn't become dulled by thinking about the same thing for too long a time.

The space age has already been highly profitable for some companies, while others have failed to take advantage of available opportunities. Many businessmen realize that unexploited opportunities still exist, but they don't know how to take advantage of them.

PRODUCTS AND BY-PRODUCTS

Space-age opportunities can be classified into two broad categories. On the one hand, there are the profit opportunities inherent in space hardware and equipment for space missiles and vehicles. This is a very big business in itself. On the other hand, some of the technology developed for space-age programs can be tailored to other uses—and this can be big business, too!

It has been true in the past, and it will be true in the future, that military research and development ultimately provide a by-product pay-off in new skills, technologies, and industries that broaden business horizons—just as industrial research has provided the base for what are now considered military technologies.

Companies are already at work planning to utilize the new technologies. Commercial computers today use component parts based on space-age developments. The Corning Glass Works developed a glass that would withstand temperatures approaching 500 degrees Fahrenheit for space vehicle windows, and then proceeded to

produce from this formulation ovenware that could be taken from the refrigerator and placed directly in a hot oven without breakage.

In the course of their work on re-entry vehicles, the scientists of General Electric's Missile and Space Vehicle Department have come up with some rather unorthodox approaches to the control and use of arc phenomena—which are at the very heart of electric power control technology. Thus space research and industrial research mutually support each other.

Electronic signals have already been transmitted to a satellite and rebroadcast back to earth stations after having been carried from one point in space to another in satellite orbit. Work is under way on programs designed to adapt this technique to almost every form of global communication. International Telephone and Telegraph has established a laboratory to develop a radio relay system employing satellites for world-wide telephone and television transmission.

Not only will the radio and television industry take advantage of space technology, but Postmaster General Arthur Summerfield has predicted that rockets will be delivering the mail before man reaches the moon.

These, and many more examples, indicate the extent to which the impact of the space age is already being felt in business and industry.

SPACE-AGE TECHNOLOGY

To understand the potential of new technologies, both military and nonmilitary, businessmen and their technical staff members must take the time to familiarize themselves with space age technology. This job isn't any easier for the technical man than the nontechnical man. Whole areas of technology are unfolding quite independently from established disciplines. The technically trained graduate of only a few years ago is already out of date with respect to new technologies unless he has made a carefully programed attack on these new developments.

To understand how a business can capitalize on space-age technology and its by-products, the executive must understand the present and projected scope of space-age programs—both military and nonmilitary.

He must know what technology is needed to insure that the corporation will continue to operate in areas of growing business activity and profit potentials, how to make the best use of the corporation's resources, and how to utilize available markets that are being and will be created in the days ahead. He needs to know, too, how to do a better job of managing this technology in order to put scarce technical talent to the best possible use, to produce results in a competitive climate where timing has become one of the most critical factors—and time itself one of the scarcest.

In undertaking a profit-oriented business appraisal of the commercial aspects of space technology, many questions must be asked and answered: What's new? How can it be used? Can we use it? What will be the impact on our industry and our company? How does this affect long-range corporate planning in the years ahead? What approach should we take in managing today's costly, complex, technological programs? Such questions as these aren't easy to answer. But a better appreciation of the broad picture can provide a background for a practical appraisal of commercial aspects of space technology.

CIVILIAN AND MILITARY RESEARCH

The Civilian Space Program

The National Aeronautics and Space Administration ended its first year of operation in 1959. Its objective was and is to create a sound technology and an increased capability for operating in the new environment beyond the earth's atmosphere. This calls for research both within and outside the atmosphere.

Project Mercury, aimed at demonstrating manned orbital flight, is the highest priority project in the current NASA program. Practically all phases of planning for the experiment have been carried out. Contracts for equipment and the choice and initial training of astronauts have been completed.

Project Vega has been programed along with project Centaur to increase our capability to carry out low-altitude orbital missions and deep-space missions of the lunar, 24-hour orbit, and planetary types. The objective of Vega is to attain this capability in the shortest

(Continued on page 66)

EXECUTIVE ORDER

By Richard Armour



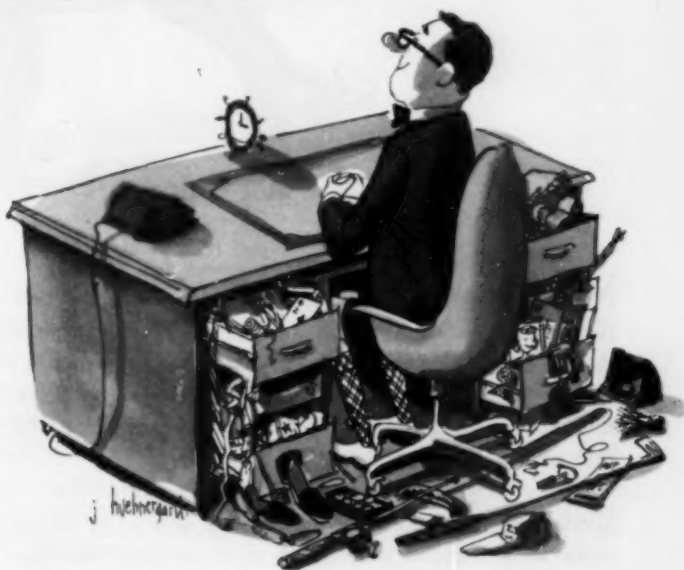
A clean desk, according to psychological studies, indicates that an executive is efficient but probably also lacking in warmth and friendliness toward his subordinates.—*News item.*

Consider this alert exec:
Upon his desk there's not a speck,
No papers, save for those in "Out,"
No pencils, either, strewn about,
No paper clips (not on your life!),
No pictures, even of his wife.

Does this then mean, to those omniscient,
That he is brainy and efficient
And gets his work done in a flash
And leaves no odds and ends of trash,
But also is, as we are told,
Unfriendly, and a trifle cold?

Perhaps, but then again one sees
Some other possibilities.
Could be that he is always through
Because he hasn't much to do.
Could be that, though his desk top's barren,
The drawers have things to eat and wear in.

In which case, it is clearly seen,
He's not the kind that's wholly mean,
But only on the outside, where
He's like his desk-top, cold and bare,
While underneath this chill acumen
He's cluttered up and warm and human.





MENTION "PUBLICITY" and many people will think of theatrical press agents, planning wild stunts to get their client's name in the papers. But this is only part—and a small part—of the story. Publicity is a valid and valuable means of telling management's story to the public, and it is unquestionably one of the most vital aspects of the public relations function.

The principle behind good publicity is sound: The opinion of a disinterested and objective third party about the company carries more weight and is considered more authoritative than the com-

Avoiding Waste Motion in

Corporate Publicity

■ *David Finn*

Ruder & Finn, Inc.

pany's opinion about itself. People believe that such third parties as reporters, editors, and commentators express their independent judgment when they speak publicly; they are symbols of objectivity to the general public.

The press is one of the most compelling objectivity symbols in our society; no one questions the value of good press notices. It is

This article is based on a chapter from Mr. Finn's new book, *Public Relations and Management*, which is being published this month by Reinhold Publishing Corp., New York.

therefore important for management to understand how the representatives of business have learned to work with the press in recent years.

Every company that advertises is exposed to a great many publications that are considered potential media for its campaigns. Most business executives, however, know only a tiny segment of the enormous media picture in this country today. Reference works consulted by advertising specialists contain lists of media that would astonish anyone not working directly in the field.

For publicity-seeking efforts, the outlets far outnumber even those for advertising. These include institutional and educational media that do not carry advertising, plus many instruments of communication that technically may not be classified as media. Also, the method of choosing publicity outlets for a company is quite different from that of selecting media for an advertising campaign. A company may have hundreds of the former and just a handful of the latter. The criteria for making the selection are different.

In advertising, the major consideration in making the choice is based on the percentage of the medium's audience that is of interest to the company and the cost of reaching that audience with a selling message. Any medium that does not reach a substantial proportion of the company's customers (or other publics) is generally ruled out.

But in publicity, the major consideration is whether news from the company is of interest to the editors of the medium. The type of audience reached influences the value of the publicity, of course, but even when few of the company's publics are represented, the publicity can still be helpful. For one thing, "news gets around," and the more places it gets printed, the more likely people are to talk about it. And since publicity in any medium can be reprinted and sent to customers, a company can take real advantage of endorsements by a third party.

CLASSIFICATION OF PUBLICITY MEDIA

The number of printed publications that can be useful for publicity purposes runs into tens of thousands. Because of this, public relations firms working for companies in many industries must set up a complicated system of codified lists in order to distribute news

about clients in an organized and effective way. There may be hundreds of classifications within such a system. Here are some examples of categories for a typical, diversified, publicly held industrial company:

- Banking and finance publications
- General business and commercial magazines
- Building specialty trade publications
- Architectural publications
- Metal fabricating publications
- Advertising and selling publications
- Baking industry publications
- Chemical processing publications
- Local newspapers and magazines
- Business editors of selected major dailies.

A media analysis known as a "release list" is usually made for each company at the beginning of any public relations program. Including all classifications of media that might be interested in some aspect of corporate activities, it is headed by a basic list of hand-picked publications interested in *all* aspects. Compiling these lists requires skill and experience. The editorial interest of the publications must be carefully assessed, not only to avoid omissions, but also to make sure that editors are not flooded with material they cannot use. The latter error is as bad as the former and probably is made more frequently by those who believe that a buckshot technique will be the most effective.

As in advertising, the print media list for publicity is only half the story. The broadcasting media are almost as numerous and complex, though they must be dealt with on an entirely different basis. News commentators, for example, are interested only in press releases that are of national concern. Non-news programs are interested in material that fits their particular needs, and can rarely be worked with on a mass basis.

The many media that are available for publicity but not for advertising require still another approach. Some of them can be grouped together and serviced with stories that are pertinent to their fields. These include school publications, house organs, educational television programs, newsletters, and private reports from investment counseling services. Others—such as motion pic-

tures, trade and educational textbooks, slide films, and records—will never use prepared publicity and are interested only in ideas that might fit naturally into their subject matter.

EDITORIAL PREROGATIVES

Since criteria for selecting publicity media are dependent on interests of the publication, not the company, it follows that the subject of the publicity must be influenced largely by what editors wish to publish. If it does not fit into their editorial scheme, the material will not be printed. At the same time, company interest must be satisfied or the publicity will be of no value. Finding the meeting point between these two interests is the primary task of the public relations practitioner.

A business executive who wishes to make the most of public relations activity for his company should be sensitive to the special problems involved in obtaining publicity. The approach is radically different from that of advertising. In the latter, the businessman is the boss and may say what he likes in the space he buys. In publicity, however, he must find a way to tell his story so that it will win the plaudits of a critic. A newspaperman can no more be swayed to support a corporate cause he opposes than a drama critic can be won over to write a complimentary review of a play he doesn't like.

Gross misunderstanding by too many businessmen about the editorial function has resulted in a vast amount of unsuitable material being sent out from public relations sources. Inept practitioners who write poorly and do not understand what makes a good news story aggravate the situation. Remedy for this state of affairs, editors say, can come only from better journalistic training for public relations men and greater sensitivity on the part of management to the principles and goals of good news reporting.

The most common source of poor relations between the press and business is the interplay between advertising and editorial matter. A financially insecure medium barter its editorial pages for advertising revenue, hoping thereby to build advertising clients. If done indiscriminately, as in some trade publications, the quality of reporting is reduced and readership drops. This may eventually

(Continued on page 74)

BUSINESS DIGESTS OF THE MONTH



BUSINESS IN AN ELECTION YEAR:

Political Activities and the Law

Condensed from Nation's Business

HOW DEEPLY may you plunge into political activity? As an individual, you have a lot of leeway. But as a businessman and corporation executive, look before you leap. Both you and your company are subject to several laws. In an effort to clarify businessmen's freedom of political activity under federal law, *Nation's Business* recently interviewed Joseph M. F. Ryan, Jr., Acting Assistant

Attorney General in charge of the Justice Dept. Civil Rights Division.

In general, Mr. Ryan suggests that a businessman desiring to enter the political arena on behalf of his company should first consult the company's attorney. Political action is a field where generalizations are often "perilous and where each case must be decided on its own merits. Here are Mr. Ryan's answers—represent-

Nation's Business (June, 1960), © 1960 by *Nation's Business*—the Chamber of Commerce of the United States.

ing his own views and not necessarily those of the Department of Justice—to key questions on political activities:

What are the basic laws which concern businessmen and their political activities? The basic federal law that concerns a businessman is Title 18 of the United States Code, Section 610, commonly called the Corrupt Practices Act. This states that a corporation acting through its agent must avoid any contribution or expenditure for federal officers in either general or primary elections. Another applicable statute is Section 611 of Title 18, which refers to firms or individuals who are contracting with the federal government. It restricts contributions to any political party, committee, or candidate for public office. This encompasses primary and general elections, and includes both federal candidates and state candidates.

Another significant statute is the one which requires identification of authorship of any political campaign material which is circulated. This has two purposes: One is to make possible a better accounting of the funds spent by candidates or by committees acting for the candidates; the other is to prevent the circulation of anonymous, scurrilous campaign material.

Basically, these are the important federal laws relating to a businessman's political activity. There are also many state laws pertaining to businessmen acting for their companies; sometimes even local ordinances have to be consulted.

What are the basic intents of the statutes? The original purpose, of course, was to assure fair and honest

elections. The underlying purpose is to preserve the integrity of the election process and to prevent large organizations from exercising a disproportionately powerful influence over federal officers.

A second reason is a feeling that corporations or labor unions have no moral right to contribute organization funds to political parties without the consent of all the organization's members.

Can unions spend money for political purposes where corporations or businessmen cannot? No. The law is intended to apply to the labor organizations and to the corporations. Specifically, neither unions nor corporations may spend money for contributions or expenditures in behalf of a federal candidate.

However, there is a legal way for a business or union to engage in educational political activity. An organization could be set up—and sustained by union or corporate money—as long as it serves nonpartisan, educational purposes for its members. The unions already have their COPE organization—Committee on Political Education—and the corporations could do something similar.

How do political expenditures differ from contributions? Both definitions are extremely broad. A simple way to distinguish them is to think of a contribution as a gift to a candidate or his political committee, and to think of an expenditure as an outlay of funds or services in support of his campaign.

What is a voluntary contribution? A voluntary contribution is one freely made by an individual without reference to the organization—whether

union or corporation—with which he is connected.

Can stockholders decide voluntarily that the corporation should spend money for political purposes? In general, no. But the stockholders of a company or the members of a union can agree to make voluntary contributions in a political campaign from their own personal funds, as long as the funds of a corporation or the funds of a union are not spent.

Can the company allow time off to employees to register and to vote? Yes, it can.

Can a company communicate to its employees on issues and candidates? This comes under the heading of expression of views "within the family," which is not barred by the statute.

May a businessman distribute information on candidates, parties, or issues to persons not employed by the company? If it were partisan material supporting a candidate, no. If it were purely nonpartisan, educational material, I would see no specific prohibition in the statute. However, as most corporate lawyers will warn, a corporate officer may not be able to do this under the company charter without exceeding his corporate authority.

If a businessman takes part in political activities during the ordinary working day, is he violating the law? This is a gray area. During the ordinary working day, he is being paid by the company for his time. To utilize this time in partisan political activity would technically violate the law, because it would be a contribution or expenditure by the corporation of "something of value."

Can a company make available

mimeographing equipment, typewriters, or similar tools for the duplication of campaign materials? This, too, is a contribution of something of value. Therefore it is barred by the statute.

Suppose these were made available on a nonpartisan basis? This would still be prohibited by the statute because it would be in the nature of a contribution or expenditure in behalf of a federal candidate.

This does not pertain to an educational program sponsored by the corporation or labor organization. The recipients here would be the corporation's or union's own personnel, and there would be no benefit to a federal candidate.

Can a company invite candidates to tour the plant, shake hands, talk to people? *Can the company invite one candidate and not the other?* It's no violation to invite either one or two candidates. If a company devotes a considerable amount of time—for example, in freeing its employees for several hours to confer with the candidate—it is approaching the area of an expenditure. However, I do not think a tour through a plant by one or both candidates would be such a use of company time.

Suppose that the company arranged a meeting at which the candidates are allowed to talk? This lies within the educational area, and there is no prohibition against it.

Suppose that, after working hours, you make your auditorium available to anyone who cares to come and listen to a federal candidate? Making your facilities available to a federal candidate is, again, contributing something of value. It is prohibited,

whether the facilities are made available immediately after the work day, in the evening, or on nonworking days. However, if, through a political education program, the opposing candidates were invited to address the employees or members of the organization at this off-duty time, I do not feel this would be prohibited. It all goes to build up a factual picture, which is what I think all these cases turn on.

To what extent can a businessman make his personnel—say, a speech writer, adviser, or consultant—available to a political party or to a candidate? As long as the individual would at the same time be drawing his salary or pay from the corporation, this would constitute a technical violation, because it would be in the nature of a corporate contribution or expenditure in behalf of a federal

candidate. If, however, the individual takes a leave of absence, receives no company pay, and acts as an individual, the law would not restrain him.

How about an employee who is a candidate himself? Can you give him time off and continue his pay while he campaigns for election? If he is campaigning for election to federal office, the answer would be no. If he is a candidate for state office, the Act would not apply.

How do these laws apply to businessmen as individuals? These election laws do not restrict a businessman as such when he is acting as an individual. It's only when he acts in an official capacity or on behalf of his office that the Corrupt Practices Act comes into play. There are, however, many other election laws that pertain to private citizens. ♦

Consumers Look Ahead

CONSUMER OPTIMISM has shown a "marked decline" this spring, the University of Michigan Survey Research Center reports. In May interviews with 1,400 adults representative of the U.S. population, the Center found that doubts and uneasiness about the business outlook have become more pronounced. Neither the collapse of the summit talks nor the drop in the stock market has been a major cause of this change, according to Prof. George Katona and Eva Mueller, directors of the study. Of much greater importance is the fact that many people see no new developments which can stimulate the economy further.

Three out of five persons interviewed said they felt that the U.S. would at some time experience another recession, with unemployment comparable to 1958. One out of six believes that the recession has already started or will set in very soon. Others expect the recession to begin in 1961, and many more in the following two or three years. "Widespread concern with the next recession probably is related to the recent weakening of optimism," Katona and Mueller declare. "Since people believe that a recession will come sooner or later, they look for its signs. At present, few see such signs but, on the other hand, they likewise miss seeing signs of a further upturn. This absence of stimulating factors makes for uneasiness."

U.S. manufacturers, always concerned with the performance of their products, are finding today's buyers more exacting in their demands than ever before . . .

The Consumer Wants Quality

Condensed from Business Week

THE MOVEMENT HAS BEGUN. Manufacturers are beginning to realize that if they can make a more perfect product, they will save money in the end. Here are some clues:

- This spring, the National Retail Merchants Assn. and the textile industry, with the help of the American Standards Assn., established new standards for fabrics for 75 end uses.

- Last year, Kroehler Mfg. Co., a big furniture manufacturer, underscored the work of its upholstery testing laboratory by establishing a "performance-tested" certificate.

- Right now, General Electric Co. is working hard in a number of cities to find out what the consumer wants in service, and how to give it to him.

- In May, 100 housewives met in Washington, D.C., for McCall's National Congress on Better Living. The subject of the three-day session: the pursuit of quality.

At every level, signs point to U.S. industry's growing recognition of a problem: how to reconcile the workings of a mass-production, mass-distribution economy with the demands of an exacting market.

In some respects, the situation is

as old as industry. Reputable manufacturers have always been concerned with quality. Consumers have always griped. To get the current picture, *Business Week* scouts in 15 cities sampled the temper of the market. Are consumers crankier? Are complaints rising?

Most big retailers and many manufacturers replied that complaints have not increased. A few even said they are down. Over-all, most insisted the level of product quality is higher than ever. Yet there are exceptions.

Clinton H. Harris, president of Argus Cameras Div. of Sylvania Electric Products, early this year put increased incidence of defective merchandise at the head of the list of retail problems. J. E. Adams, executive vice president, White Motor Co., speaking before the Society of Automotive Engineers on foreign competition earlier this year, began with a tale of woe:

"I just bought my wife a new car. When I slammed the door, the handle came off in my hand. This was followed by a leaky radiator core and failure of the power steering unit. When I returned home from the last

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car repair, I discovered that our clothes dryer, for which we had just paid \$50 in repair bills, had failed again." He concluded, "I suppose you wonder what all this has to do with foreign competition. It has everything to do with it."

Appliances also come in for close examination. An automatic washing machine has 800 parts, American Home Laundry Manufacturers' Assn. points out. "We moved from the plain old electric iron to the thermostatic control, to the snag-proof cord, to the steam iron," says GE's Eugene A. Anthony, consultant, product services. Every addition poses its own little problems, multiplies the probability of failure. Those new little problems helped boost the service load in appliances 70 per cent between 1946 and 1956, he estimates. Every alteration—from a new gimmick to an annual model change—opens the door to new bugs. Competition brings more changes, faster changes, and—says Argus' Harris—more bugs.

Far from the production line, the customer has been changing, too. On many counts, the housewife has grown far smarter in the years since World War II. A furniture salesman in a big department store recently was confounded when a customer asked, "Is that an 11-tie or a 14-tie spring?" A sharper shopper, with more money to back up her demands, is the rule today.

It's no cinch to sell quality in furniture or in appliances. The soundness of the core is not apparent to the ordinary consumer eye. Women's ideas of quality don't always jibe with those of the engineers, Anthony reports. She wants the best,

and this, to her, means the most expensive. What she forgets is that she is paying for every tricky labor-saving extra. Naturally, if the feature goes wrong, she feels gypped.

Does the consumer really want all the trimmings? Absolutely, most manufacturers say. They lay the pressure for all the extras, the conveniences that go out of whack, straight at the consumer's door. Further, she likes change for change's sake (or has been brainwashed into wanting it, a few mavericks hold). Unlike her mother, she doesn't want a piece of furniture or an appliance to last a lifetime. So why design it for a lifetime? Industry generally wouldn't have it any other way. "Bless her spoiled heart," one retailer comments. "She wants the newest, whether it makes sense or not."

Squeezed between rising expenses, changing market demands, and the ceiling a mass market imposes on prices, industry has awakened to the cost. "Our warranty costs for extra equipment items exceed warranty expenditures for all other parts of the cars," P. B. Hopkins, Chrysler's director of service development and training, said recently. American Home Laundry Manufacturers' Assn. reckons that, of every dollar spent on quality control, failure costs devour about 62 cents. Pure prevention gets only 4 cents.

"Cost analysis," says H. B. Miller, vice president of GE's manufacturing services, "suggested we were spending our quality dollars the wrong way."

Failures cost the retailer, too. The cost of handling a customer return

can run high in comparison to the value of the item. So a big retailer like Montgomery Ward spends millions to stop irregular merchandise before it ever gets to the customer. In the first 11 months of its last fiscal year, it tested 11,564 items, rejected 4,570.

On top of costs come the importers. Detroit's market researchers told their bosses that those crazy people who were snapping up imported cars weren't just after economy and small size. They thought they were getting quality, too. Many retailers agree that this belief has helped swell the flow of imported goods.

The old and expensive inspection system is giving way to the quality audit. "Inspectors at various points along the line were just police," explains the head of Oldsmobile's quality control section. "Now they go back and try to run down the cause of errors." Chrysler measures cars on a demerit system. On the finished car check, 35 demerits is now the limit. "Two or three years ago, a score of 75 was considered a pretty good car," Imperial reports.

GM is drawing upon the experience of its space-age supplying divisions—AC and Allison—to develop an entirely new concept for the automobile: systems reliability and reliability control. In effect, GM will attempt to determine at all stages the mathematical probabilities of durability and function for every part of an automobile. It will replace decisions depending on human judgment, the company hopes.

Go into any big appliance plant today and you'll find an incredible amount of testing, buffeting, and engineering. Quality engineers sit in

on the early planning of new products to insure performance and ease of servicing. Others are developing equipment to measure performance more precisely than any human tester can. Whirlpool's new quality task force goes far beyond plant control. Its five committees deal with merchandise development; manufacturing and shipping (transportation damages are sore points in many lines); distributors and dealers; service; and motivation.

Argus has concluded that it "will not be panicked into bringing out a new product too soon just to lick the competition." Kroehler says its fabric controls have pared complaints to a hair. Synthetic fiber makers are campaigning to get garment manufacturers to use nylon fabric to prevent puckering and pulling—a common complaint. No one feels the job is more than begun. There will always be lemons. Further, as the leaders plug at the question, imitators rush in to fill the price void just beneath.

Some solutions create new problems. GE's probings into the consumer's service wants have raised stormy protests from appliance dealers. But some top GE personnel feel that more service responsibility will have to wind up on the manufacturer's shoulders.

The brightest hope, perhaps, is that quality ranks high on top management's agenda today. A few years ago, says an appliance maker, quality problems rarely got back to top executives. Now these same executives are listening to the new sound from the market place: The consumer who a few years ago begged for "more!" is now demanding "better!" ♦



Packaging

and the Product Image

*Condensed from
Consumer Packaging*

BRAND X bears an unchanging image. Here we have a product of unquestionably inferior quality. It is turned out by a slipshod crew headed by a money-grubbing management that has little regard for public welfare. Packaging for Brand X, as seen in advertising, also is constant. Letters identifying "that other product" cut an ugly gash across a plain carton surface.

In the market place, however, the "bad guy" product wears no such distinguishing badge. Competition is seen in a wide variety of package forms, shapes, and colors. And as for product quality, all companies who hope to remain long in business recognize the need for meeting uniformly high standards.

How, then, can a manufacturer profitably use packaging to convince the consumer that this is the superior product?

Market research, according to leading package designers interviewed by *Consumer Packaging*, is the heart of an identity program. If the manufacturer wishes the package's materials and graphics to reflect the

*Consumer Packaging (July, 1960). © 1960 by
Haywood Publishing Co. of Illinois.*

product accurately, he must supply the designer with the answers to the following questions:

- What characteristics does the company want the consumer to associate with the company name and its products? What are the consumer's attitudes—as revealed by consumer research—now?

- Are there any special traditions or consumer associations connected with products in the same category?

- How does the competition distribute, price, promote, and package its products?

- What properties of this product can be promoted as unique?

- What consumer needs should the package appeal to? Shall the product's appeal be based on its utility, durability, economy, or convenience? Shall the product hold forth a promise to enhance the buyer's desirability, credit him as knowledgeable, upgrade his social status, or in some other way increase his pleasure in life?

- Which markets—which age, sex, or economic groups—are you trying to reach?

- Are you aiming at many markets with a direct appeal to each, or at a mass market via one basic appeal?

- In what outlets will the product be sold? Are there any special lighting or display problems involved?

- Will the product be tied in with others in the company line?

- How will the product be promoted and advertised?

Once the designer has this information, he begins to translate these findings into packaging that reflects the "personality" of the product. The resulting image must be unique, be-

lievable, and relevant to the product. It should be easily recognizable and memorable, and it should create confidence in the product and its manufacturer. The design should be used consistently and also be flexible enough to extend over a line of products if so desired.

According to the New York design firm of Lippincott & Margulies, physical packaging should be considered not only in terms of its practical application to the product, but also as a dynamic expression of the brand's characteristics. Thus, a decision to use foil may be dictated less by its protective quality than by its luxurious effect; a soft film may be used for soft goods less for its dirt-resistance than for the soft tactile quality with which it enhances the product.

On the other hand, a rigid paper-box construction may be better than a more expensive-looking medium—not because the paperboard is less expensive, but because it's better suited to the graphic treatment dictated by the product's marketing requirements. Other recommendations for physical packaging may be based on the package's convenience in use and in storage.

Sometimes an innovation in physical packaging can inspire a marketing campaign. One example is the project—undertaken by Lippincott & Margulies last year—to create a new bottle, cap, and label for Pacquin's hand lotion. The new image was to have elegance, an in-hand appeal, and a decorative appearance on the dressing room table or bathroom shelf. Final design resulted in a tall, graceful, long-necked bottle, a

smoothly fitting white plastic cap, and a unique "wrap-around" one-piece label. The label—created to fit around the unusual oval bottle—inspired Pacquin's promotion of this lotion as the one with the "off-the-shoulder look."

Northrup King Seeds created a new image for some of its products by breaking with its industry's traditional design techniques. Packers of garden and lawn seeds have long used pictures of that one perfect chrysanthemum in full color or of a tidy green lawn to induce many a gardener to go down on his knees in the dirt.

Over a period of time, however, such portrayals have become stereotyped. Now, packages for Northrup King's sweet corn seed carry an illustration of a platterful of cooked corn-on-the-cob, topped by a melting pat of butter—thus creating a new, more exciting, and more fulfilling image for the consumer.

Many other noteworthy packages illustrate how the materials, color, shape, artwork, logo, and typeface have been dovetailed with the product name or advertising program to create a highly individualistic product image. Among them are the yellow polyethylene squeeze bottle for Real Lemon concentrated juice, the slim Sucryal bottle aimed at the diet-conscious market, the many-faceted bottle for Reflexion's perfume, and Stripe toothpaste's stripe-lettered carton and tube.

The sense of smell has joined the senses of touch and sight in today's packages, via new perfume-impregnating devices. Comette Hosiery Mills in New Fraunfels, Texas, is now

using scented polyethylene film bags to create an appealing association for its line of women's hosiery.

Memorable package trademarks—human, animal, and geometric symbols—are legend. Although the trend is definitely toward use of a geometric shape, there will always be room for another "Mr. Clean," just as the bearded Smith Brothers caused a sensation on the American marketing scene many years ago.

The total package image, while it must have strong impact, must not be viewed as a separate entity. Designer Gerald Stahl cautions that it is not merely an "additive"; it must be used consistently and receive exposure in all elements of a marketing program. Along these lines, there are certain "control techniques" that a manufacturer can use to insure that the product and the package will be visual and emotional reflections of each other:

- Select your designer with care, checking on his prior experience, etc.
- Give him all the information both you and he consider relevant, including how much research money you believe the program justifies.
- Bring your advertising agency into the picture; they're marketing consultants and marketing experts.
- Involve your sales executives in the planning, but don't forget your production and purchasing executives. They must be thoroughly aware of the image you want.

With a multitude of products and claims bombarding the consumer's mind, using your product image properly means that your product will stand a better chance of out-penetrating the competition. ♦

How Industry Is Using

Overseas Science Scouts

By Ray Vicker

Condensed from *The Wall Street Journal*

THERE HAVE BEEN dramatic European developments in chemistry, metallurgy, electronics, mechanical engineering, and physics. New products from foreign labs range from plastic auto tires to antibiotics, from small gasoline turbines to an ultra-high-purity silicon for better transistors, water solvent plastics, and resins that resist high temperatures.

For years, U.S. manufacturers have kept an eye on European research, via such techniques as on-the-spot investigations by company officials, employment of foreign consultants, sponsorship of research in foreign universities, study of technical literature, idea-trading under cross-licensing agreements, and use of overseas subsidiaries as "listening posts." Now add one more technique: overseas scientific representatives.

Five years ago, there were only a handful of these little-known industrial specialists. Today, an association known as American Scientific and Technical Representatives in Europe has 100 members on the lookout for new and useful discoveries. Keeping abreast of these new products can pay off handsomely. Many U.S. firms, under licensing agreements, are

marketing products developed in Europe. One American drug firm already has sold more than \$40 million worth of a tranquilizer developed in France. U.S. Rubber Co. sees a good market in food processing for a polyvinyl chloride conveyor belt first turned out by England's National Coal Board. Says a spokesman for Socony Mobil Oil Co., which operates in 17 European countries through its Mobil International division: "Keeping up with technical developments that help increase product volume, upgrade product quality, or reduce unit costs is an absolute necessity."

Keeping track of the vast number of European research accomplishments is not easy. Frequently, the fragment of a meaningful concept may be buried in a hard-to-read scientific paper—a fragment which is worthless until wedded to another development in the technical agent's firm back home or elsewhere. Thus a good science scout must be alert enough to spot possible relationships between widely divergent accomplishments.

Frequently, benefit is derived from ideas that do not pan out as originally expected. For example, a Car-

The Wall Street Journal (May 12, 1960), © 1960 by Dow Jones & Company, Inc.

rier Corp. representative in Sweden noticed a tube-bending machine there and helped obtain one for the home plant to use in manufacturing air conditioning ducts. The Swedish machine, unfortunately, did not fit Carrier's manufacturing operation. But after tinkering with the Scandinavian device, the company's engineers were able to design a new conduit duct machine which cut production costs by 20 per cent.

How do scientific agents operate? There is no single pattern. Basically, it is a job of developing contacts and cultivating people who are important in specific fields. This involves attending scores of meetings of technology and science societies, visiting dozens of laboratories, making endless tours through industrial plants, and socializing with as many research scientists as possible. Definitely shunned are the cloak-and-dagger espionage techniques of some State-side industrial spies. These, say practitioners of the art, would not get a science scout very far.

One time-consuming but frequently productive task is reading through the mountains of technical literature available in scholarly publications or in the reports of scientific sessions. W. T. Knox, director of the technical information division of Esso Research & Engineering Co., a subsidiary of Standard Oil Co. of New Jersey, says his office receives 600 technical journals regularly. "Some 300 are from the U.S.," he explains, "180 are from Western European countries, 27 are in Russian and other Slavic languages, nine are in Japanese, and 20 are in miscellaneous languages."

The presence overseas of many science scouts may indicate that European industry holds an edge on America in some important fields. But the scientific representatives almost unanimously reject all comparisons of progress as meaningless. "Researchers in Europe direct more attention toward fundamental problems than we do in America," asserts Gene Beare, president of Sylvania International and Automatic Electric International, subsidiaries of General Telephone & Electronics Corp. Adds Dr. Anthony T. Knoppers, president of Merck, Sharp & Dohme International: "Research in America is done on a grand scale and is very successful. But since it is not selective enough, it is very expensive. Research in Europe is often more limited to a certain area, and as a result it is deeper and more creative."

Frequently, hard-drive American applied-research techniques can be joined to the more leisurely fundamental discoveries of European scientists, making possible a remarkable degree of noncompetitive cooperation.

Information-gathering devices other than science scouts are also being increasingly used by U.S. firms. Licensing agreements, for example, are now being scrutinized in an effort to secure knowledge as well as cash from overseas licensees. "Our main purpose in licensing is to get an interchange of know-how," explains A. H. de Goede, manager of International General Electric's Paris office. "Just to get money back is not enough."

More attention is also being paid to foreign subsidiaries. Socony Mobil periodically holds conventions of overseas technicians to glean ideas. A

spokesman for International Telephone & Telegraph Corp. reports that "some of our major developments have come from European subsidiaries." One of the latest: an electronic telephone switchboard that can handle 60 calls a second. Burroughs Corp.'s French subsidiary, Société Anonyme Burroughs, helped develop a new mechanical multiplying unit for a calculating machine, as well as a punch-tape reading device for a basic accounting machine.

One of the most productive European subsidiaries has been Kodak-Pathé, S.A., headquartered on a cobblestone street in Vincennes, France. This unit of Eastman Kodak has contributed several ideas for the manufacture of photographic film

bases. One, familiar to most 35 millimeter slide fans, makes it possible to produce color prints directly from positive transparencies. Presently the company is building a new laboratory which will triple Kodak-Pathé's research facilities.

Other labs are now operated by IT&T in Paris; International Business Machines, Monsanto Chemical Co., and Stanford Research Institute in Zurich, Switzerland; Arthur D. Little, Inc., in Scotland; and Battelle Institute in Geneva and in Frankfurt, Germany. American Cyanamid Co. is currently building what it calls an "idea factory" in Geneva, and will staff the multimillion-dollar basic research facility with a European group of 60 scientists and technicians. ♦

Accent on Youth

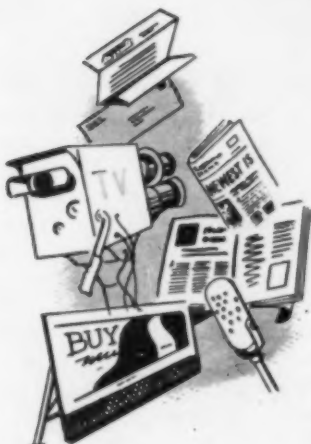
MORE THAN 2,000,000 high school and college students and graduates joined the nation's labor force in June, adding substantially to employment—and to unemployment as well. Seymour Wolfbein, the Labor Department's chief specialist on manpower, called the rise in the labor force a harbinger of the time, in the 1960's, when post-World War II babies will be reaching working age in suddenly greater numbers.

The department reported that employment rose by 1,371,000 from mid-May to mid-June, to a record of 68,579,000. Most of the increase was in outdoor work (usual for June) and included a substantially larger than usual increase in farm work. The total May-to-June increase was the largest in seven years.

Unemployment rose by 964,000, which was considerably more than in any June since World War II. Virtually all the increase was represented by persons of school and college age. Because the increase was larger than what is considered normal for the month, the seasonally adjusted rate of unemployment rose to 5.5 per cent. It was 4.9 per cent in May. The June unemployment total was 4,423,000, which was 900,000 higher than a year ago but 400,000 lower than two years ago, when business was starting to pull out of the last recession.

—*The New York Times* 7/13/60

THE USES AND ABUSES OF



Co-op Advertising

Condensed from Printers' Ink

COOPERATIVE ADVERTISING—joint promotion by a manufacturer and a local outlet—has been perhaps the most abused sector of the ad business. Since it came into use 50 years ago, its record has been one of increasing controversy. Intended to gain retailer good will, it has often led to confusion and chaos. Abuses too numerous to recount, from double billing to blackmail, have occurred in almost every type of industry and every type of retail operation. Yet from \$1 million to \$2 million is spent on co-op advertising annually.

To learn more about co-op advertising—as it is and as it might be in the future—*Printers' Ink* queried 351 advertisers and ad agency representatives for their attitudes and opinions. The consensus: While co-op advertising has its disadvantages, it is here to stay—with tighter control and per-

haps modification. To the basic question, "Do you approve of co-op advertising?" 56 per cent of the respondents said "yes," and 44 per cent said "no." Close to 60 per cent felt that co-op advertising was necessary, while the rest felt that it was not.

Paul M. Augenstein, president of Chrysler Corp.'s Airtemp division, felt that co-op was necessary for two reasons: (1) It assures recognition of the manufacturer in local brand advertising; and (2) "competitive manufacturers use co-op ad plans; lack of a co-op plan on our part would constitute a sales disadvantage."

Of those who consider co-op unnecessary, William H. Beatty, the vice president and general manager of R. L. Polk & Co., feels, "The same volume, and greater efficiency, could be obtained by other methods." Arthur E. Prell, vice president, French &

Printers' Ink (May 13, 1960), © 1960 by *Printers' Ink Publishing Company, Inc.*

Shields, Inc., sees no benefits at all in co-op advertising. He feels that "dealers misuse 95 per cent of co-op money and justify themselves by using the rest to paint their trucks with company insignia."

In theory, at least, co-op advertising has benefits. What are they—and what are its failings? The two chief benefits, ranked equally by 70 per cent of those answering this question, were: backing up and localizing national advertising, and stimulating dealer interest and good will. Other benefits, in order of their importance, were: telling consumers where to buy; getting dealers to advertise; meeting competition; increasing the amount of retail advertising; and opening up distribution outlets. The worst abuses or disadvantages of co-op advertising are: draining the funds for national ad programs; encouraging unethical, often illegal practices such as double billing; and using co-op as a price discount.

Respondents, categorized by the type of their products (or, in the case of ad agencies, their clients' products) were asked what average percentage of their total ad budget goes into co-op advertising, and if their spending was more, less, or the same as five years ago. In 14 product classifications, co-op ad dollars ranged from 1 to 32 per cent of total ad budgets, with most classifications spending considerably more for co-op than five years ago. It can clearly be seen that while co-op advertising comes in for heavy criticism, manufacturers are using it and, in many cases, increasing their use of it. The reason can be found in the answer to this question: Have you found that co-op ad

programs result in higher sales by those dealers who participate? A majority of the respondents (66 per cent) said "yes"—although 53 per cent of this majority felt that sales increases attributable to co-op advertising are not maintained over a long term.

With co-op abuses abounding, 51 per cent of the respondents who use this ad method employ written contracts with their dealers or retail outlets to govern the use of co-op ad money. The contracts primarily detail how the manufacturer will share or match dealer ad outlays (usually on a 50-50 basis); name approved media; state program time limits; and sometimes go into what is "reasonable" beyond space costs, such as production expenses. Occasionally, a manufacturer will state that its agency must approve contracts and prepare ads.

Co-op advertising is easy to get into, but hard to get out of. Once committed to a co-op program, manufacturers cannot easily abandon it. The big reason is competition: 64 per cent of the respondents feel that manufacturers are forced by competition into indiscriminately granting co-op allowances. Further, 67 per cent doubt that the Federal Trade Commission can effectively control this practice.

The respondents see few effective solutions beyond FTC control—as poor as they feel that control is—that would clear up the co-op tangle. An oft-repeated suggestion: "Eliminate the practice completely." It was mentioned, however, that co-op advertising could be made more effective "through voluntary observance, by

interested manufacturers and their trade associations, of a code of conduct—yet to be established—governing co-op ad practices and procedures.”

Throughout the comments was one recurring thought: The person being

hurt through co-op abuses is the manufacturer. In the final analysis, it is his action that counts. Said an agency executive, “The only solution is courageous and firm policing by the national advertiser—even at the risk of losing some customers.” ♦

Welcome Back?

SHOULD A COMPANY REHIRE AN EXECUTIVE once he's left the corporate fold? A spot survey of 28 national corporations, conducted by *Industrial Relations News*, indicates that 14 will welcome former executives back, six shut the doors to them forever, and eight have no formal policy. The 14 companies that would take back an executive say the circumstances under which he left play a major role in his rehiring. A mutually amicable separation won't prejudice a chance of rehiring, if the man's record was a good one.

KLM Royal Dutch Airlines reports it rehired hundreds of executives that it let go in the business slowdown during World War II. The company suspended most operations during the early forties, and KLM brass took jobs with other airlines. Postwar rehiring worked out extremely well, says Personnel Manager T. Toberty.

One large business machine company permits its divisions to rehire a former executive, provided his former boss approves. The superior's approval is required, regardless of the location or position the executive seeks. Reasons for the initial separation are established to make certain that conditions leading to the earlier resignation are no longer present.

At the Metropolitan Life Insurance Co., N.Y., the company assesses an executive's value as a rehire during his exit interview. The interviewing manager indicates whether he would rehire the executive, says Thomas J. Healey, personnel officer, by indicating “yes,” “no,” or “doubtful” on a standard form. The decision must be backed up with a written explanation.

Most companies that don't rehire executives agree with Vice President Michael Weiss of Transogram Co., Inc., N.Y.: “Taking back an officer who left will cause dissension among workers, and will lower morale.” Weiss feels the reasons behind a quit are never fully understood. But if an executive is rehired, and later fails to make good, he'll blame the company for holding him down because he once quit. A cement manufacturer notes that if an executive was disgruntled enough to leave once, chances are he'll leave again.

A large beverage company says that its standards are so high that its officers can easily meet another company's requirements. Consequently, if an executive quits, he's bound to succeed at his new job and won't want to return. And none ever has.

THE CENSUS:

BIG ANSWERS

TO LITTLE

QUESTIONS

By Irving Roshwald

Condensed from Challenge

"AND SATAN STOOD UP against Israel and provoked David to number Israel. And David said to Joab and to the rulers of the people, 'Go number Israel and bring the number of them to me that I may know it.'"

Thus in the 21st chapter of *Chronicles* begins the story of one of the first recorded national censuses, a Satan-inspired project that brought a severe plague on the Israelites. Even today, in modern America, there are people who quote *Chronicles* to the census taker and refuse to cooperate in the devilish business of numbering our nation. But for the most part—though census takers are still at times greeted by irate housewives, bitten by dogs, and chased by turkeys—opposition to the census idea has pretty well simmered down.

This year, for the first time, the U.S. Bureau of the Census collected certain additional information from 25 per cent of the population—information relating to housing facilities,

work activities, education, income, and method of transportation to and from work. Another 20 per cent of the population were asked to enumerate such items as bedrooms and automobiles, and five per cent were asked about television, radio, washing machines, dryers, food freezers, and air conditioning.

The current census operation used a staff of more than 150,000 enumerators to count an estimated 180 million persons. The enumerators were assisted in difficult cases by a crew leader, who also spot-checked their work. The census takers were supplied with maps of their territories, and they received a special course of training to help them reduce the possibility of error.

But errors do creep in, despite precautions. Persons who maintain two homes, for example, are sometimes counted twice. Parents occasionally forget that babies are people, too, and should be counted in the

Challenge (July, 1960), © 1960 by Institute of Economic Affairs, New York University.

census. Individuals who are rarely at home, transients, and floaters are also sometimes missed in the count.

Another source of error can exist in incorrect reporting of housing facilities. The census attempts to minimize this sort of error by defining very exactly what is meant by specific facilities. Even so obvious a facility as the kitchen sink is very carefully defined.

The number of persons refusing to cooperate in the census has been very small. A more difficult problem is that of securing accurate response. Questions about age and income may often be answered slightly off the mark. After the passage of the Social Security Act, for example, many people suddenly became 65 or older.

The Bureau of the Census is constantly searching for ways to reduce errors of undercounting, overcounting, and incorrect reporting, as well as errors occurring through the employment of sampling techniques. The 1960 census has a built-in evaluation and research program which is attempting to measure both the variance and the bias of statistics of the census programs. One of the devices used will be a re-enumeration survey. Interviewing, coding, and processing errors will also be examined for their effect on the accuracy of census data. A statistical quality program was designed to check the work done in the field as it was completed.

A businessman using census figures should understand a few of the "ground rules," particularly the definitions of the concepts involved. For example, between the 1940 and the 1950 censuses, the definition of what

constitutes an urban area was considerably enlarged to include unincorporated areas with 2,500 or more inhabitants and located outside urban fringe districts. Before that, such areas were defined as "rural," since only incorporated cities, towns, or villages of 2,500 or more inhabitants were classified as urban. Thus, comparisons of data on the growth of urban centers can be misleading unless these revised definitions are clearly kept in mind.

Without an examination of a label's definition, the label will mean exactly what the reader defines it to mean. Even when the meaning of a term seems self-evident, it may not mean the same thing today that it did a decade ago. Take an example included in the Census of Retail Business, which reports data for grocery stores. Comparing the sales of grocery stores in 1950 and 1960 is like comparing two different universes, for the growth of the supermarket has radically changed the grocery business. The changing nature of the drug store and the entrance of the discount store into the department store business indicate how other terms have changed in meaning. Careless use of statistics can be misleading.

Charting the growth of the United States is an extremely complex undertaking. Through careful planning and efficient execution of its task, the Census Bureau continues to produce a wealth of information. There is no more valuable tool for businessmen who wish to gain some understanding of the changing nature of the country than the decennial report from the U.S. Bureau of the Census. ♦

Managing CORPORATE CASH for PROFIT



By Albert C. Lasher

Condensed from Dun's Review and Modern Industry

IN A GROWING NUMBER of corporations, profits are springing from a surprising source: the treasurer's office. Although these earnings are small compared to those generated by product sales, today—in a time of tight money and narrow profit margins—unexpected income in any amount is especially welcome.

Good cash management can enable a company to support higher sales without a corresponding increase in cash requirements. It can help cushion a sudden sales slump. It can help a company move fast to expand a plant, a research project, or an advertising campaign to meet a competitive threat. And it can help keep expensive short-term borrowings to a minimum.

The first and most basic step to managing your cash for profit is to figure out what your company's cash

requirements are, and just when they're expected to arise. There are several variables to keep in mind, including cash and working capital restrictions related to loan agreements and the cash requirements of domestic and foreign subsidiaries. You should also have enough working capital to preserve your credit ratings and, if your company is publicly owned, to maintain an adequate rating of your securities.

It's important to keep a reserve on hand for emergencies and for shoring-up operations if your business drops off. General Electric, according to Paul E. Wallendorf, manager of banking and corporate finance services, maintains in its investment portfolio a highly liquid reserve of about \$25 million.

Once your cash needs are outlined, you should determine how much to

Dun's Review and Modern Industry (June, 1960), © 1960 by Dun & Bradstreet Publications Corporation.

keep in the bank. You must, of course, hold enough cash on deposit to keep your checks from bouncing. But you should also leave enough in the bank to compensate your banker for his services. Just what this sum should be is sometimes disputed between banks and their customers. It can be awkward to go rushing to your banker for a much-needed loan if he feels you're squeezing him out of what he considers a fair profit. The other extreme is letting demand deposits pile up. A forthright talk with your banker will help you determine the proper level.

Holding down your bank balance is tied to the problem of reducing the cash you need for day-to-day operations. The faster you can get your money to your bank, the faster you can use it. It may be four or five days from the time your customer drops a check in the mail to the time it's cleared and credited to you. If you could cut this "float" time in half, you'd have use of the money at least two days earlier. This can mean a lot if your own bills are pressing.

The problem of excessive float is especially nettlesome for companies receiving many payments from various sections of the country. At any one time, a considerable sum of money is in the mails. One plan for speeding these payments is the post office box, or "lock-box," plan. Under this system, customers mail payments to a post-office box near one of the company's main banks. The bank arranges to pick up the checks, sometimes hourly, and quickly credits the company's account.

Companies whose customers are dispersed over wide geographic areas

may use a system called "area concentration." One big company has regional accounts in 20 banks, each serving a specific zone. The regional banks report by phone or wire every morning to one of the company's central banks in New York, and this bank, in turn, tells the treasurer the level of the regional balances. He can then drain off excess balances in any of the area banks.

One variation of area concentration is called Automatic Cash Transfer. Under this system, branch offices mail out-of-town checks directly to a central regional bank. The offices deposit cash and local checks locally, and mail a check for the amount for deposit in the regional bank. This cuts float on out-of-town checks by bypassing a stop at the local bank, and it saves service charges on local collection of out-of-town checks. Furthermore, it enables the company to lower local balances, while still maintaining them at levels consistent with the bank services the company draws on.

The other techniques for getting a better run for your money are drafts and guaranteed overdrafts. Use of a draft enables a company to make a payment any day it pleases. Its bank is instructed to honor the draft on a fixed date, instead of on demand as with a check. Banks usually charge 50 cents to \$1.50 to collect a draft, but the price is often worth the sharply reduced float.

AT&T uses the guaranteed overdraft in the form of a "Field Draft Plan," an arrangement by which a local bank honors checks over a certain signature—even though the company has no account with the bank.

The amount of the check is limited and is guaranteed by the company's regular bank. The company pays only a small fee for the service.

The longer a company holds on to its money, the longer it can keep its cash working. This means paying bills as late as it can without losing the discount, or it can mean doling out funds piecemeal instead of all at once. A practical example of how this works is described by John Shaw, assistant treasurer for Gulf Oil Corp. His company used to distribute working funds to its divisional field departments on a weekly or semi-weekly basis. Now, daily requisitions are required.

You can see how this works out by looking at a few figures. If ten offices require \$500,000 a week each, a total of \$5 million might be moved out of the company coffers in one sweep. By staggering the distribution daily, only \$1 million or so moves out on any given day. By the end of the week, the company has freed the equivalent of \$10 million for one day. At 3 per cent interest, this earns over \$42,000 a year.

A company must also see that its internal accounting practices are efficient and precise. Paying bills quickly can mean extra cash on hand: A 2 per cent discount for payment within ten days is the equivalent of a 36 per cent annual return on investment.

After you reduce your cash requirements, and figure what you'll need to keep your checks from bouncing and your banks happy, the final step is investing what's left. The sum you want to set aside for an emergency reserve should be invested in the safest and most highly liquid securi-

ties. You can invest the rest of your cash in securities which mature when you expect to write checks against the cash they represent.

The time required to manage a short-term portfolio varies widely with its size, its diversity, and the investment skill of the man handling it. One authority estimates that to manage a diversified, \$50-million portfolio would take one man an average of ten hours a week. AT&T and Standard Oil of New Jersey have men assigned full time to the job of managing portfolios of \$1 billion each. Any company interested in short-term investments should seek the advice of a major bank, a government securities dealer, and a commercial paper broker.

The most common temporary investment is in U.S. Treasury bills, which come in denominations as low as \$1,000. These are auctioned weekly in 91-day and 182-day maturities, with a series of longer maturities auctioned at quarterly intervals. The bill rate this spring went up as high as 4 per cent on 91-day Treasury bills.

Larger companies enter into repurchase agreements on Treasury bills, buying the bills from a dealer if he guarantees to buy them back immediately on request. A company can invest its money this way over a week-end, and the return is usually better than bill rates, but only companies with large sums to invest—usually \$1 million or more—can do it.

Today, even individual investors are taking up the 30-day to 270-day notes of leading U.S. corporations. This investment is especially attractive

because you can time maturation precisely with the date you'll be needing your money in hand. Typical yields this spring ran around 4¾ per cent. For example, \$10,000 invested in 120-day paper returned about \$158 in interest.

A number of U.S. government agencies issue bonds and notes that can be bought in amounts as small as \$1,000 and held for almost any

temporary period. These include the Federal Land Bank, Federal Home Loan Bank, Banks for Cooperatives, Federation National Mortgage Assn., and the Federal Intermediate Credit Bank. Yields on these securities run somewhat higher than those returned by Treasury bills. But they are slightly less marketable, and they don't have the direct backing of the U.S. Treasury. ♦

"And On Your Right . . ."

THE PLANT TOUR is beginning to take a cue from the compact cars, reports *The Score*. Instead of a mass "spectacular" presented as the main feature of an open house every four or five years, the plant tour is becoming smaller and more concentrated, and appears to promise rather substantial benefits. And, like the compact cars, there will be more and more of them. Here are some of the plus factors of the compact plant tour:

The individual groups are small. When properly scheduled, there are no other tours; no pressures from the group behind; no reason why an inquisitive guest can't ask all the questions he wants.

Guides soon become experts. Employees, selected carefully for the tour assignment, become familiar with the job after a few presentations. They tend to develop self-confidence, to learn to make friends quickly with visitors, to find the answers to the questions visitors ask.

Briefing periods are readily arranged. Because groups are small (something the company itself can and should control), it is a simple matter to set up a pretour conference with the visitors. Here a company representative can highlight company operations and describe products. A locally conceived moving picture or slidefilm can preview the tour, so visitors can see precisely what is before them on the tour itself. At the end of the tour, visitors may be reassembled for a question period.

There is ample opportunity for face-to-face meetings. On the mass type of plant tour, company officials must meet many guests in a short time. When small groups of visitors come to the plant, it is always possible to rally at least one official with a few moments to spare for a company greeting.

Compact plant tours are not costly. The small, individual group tours are all arranged for on a permanent, not a temporary, basis. Thus the tour route is established in advance. The "props"—such as the moving picture or slidefilm—are all in standby condition, ready to be put to work when needed. Thus if some visiting group cancels, if the weather turns bad, or if a later date is found more acceptable for the guests at the last minute, nobody is hurt.

*The Secretary of Labor
takes a look at some of the
more common misconceptions
about older workers . . .*

Myths About the Worker Past 40

By James P. Mitchell

*Condensed from
The New York Times Magazine*

WHEN DOES AN AMERICAN WORKER become "too old" to get a new job? The answer is: at a startlingly early age—40, or sometimes even younger.

James Haddon is 46. For 15 years he worked as a sales engineer, reaching a salary level of \$18,000 to \$20,000 a year. He lost his job some months ago when his company, as

the result of a merger, moved to a new location and he found himself unable to follow. He didn't worry at first. He was able, experienced, and highly recommended by his former employer. He expected a minimum of trouble in finding new work. Until:

"We wish you had come to us fourteen years ago, but . . ." The job, with an oil firm, went to a younger man.

"We are looking for a man in your specialty and appreciate the value of your experience, but . . ." That was from an automobile firm.

"Our company does not hire anyone over 40 . . ." A salesman's job.

Haddon and others like him are the victims of a senseless dual image. When employed, they are respected and valued members of the office force, the production line, the executive staff, or the sales team. When seeking work, they suddenly become too old to hire. Even if they are hired, they are sometimes placed in jobs that neither demand their best nor take full advantage of their experience. This prevailing practice of wasting valuable abilities because of preconceived notions about age and work is one that endangers our full economic growth.

We anticipate that by 1970 the American economy will be turning out \$750 billion worth of goods and services—50 per cent more than today. The number of workers needed to man an economy of that size is estimated at 87 million—13.5 million more than are in today's labor force. Forecasts assure us of at least that number. But an examination of the expected increases of workers in different age groups indicates that the

*The New York Times Magazine (June 19, 1960), © 1960 by
The New York Times Company.*

traditional composition of the labor force will be sharply altered in the coming decade. There will be 6.4 million more workers under 25 years of age; 5.5 million more workers over 45; 1.8 million more between 25 and 35; and an actual *decline* in the number of workers 35 to 44.

Thus it is clear that the chief source of an employer's labor supply in coming years will be the young, inexperienced workers just out of school, and the experienced older workers he may now be turning away or misusing. Those employers who persist in discriminatory policies of any kind are going to find themselves squeezed out as the contest for manpower increases.

Let us examine the prejudices against hiring and properly utilizing older people. One prevailing myth is that older workers produce less than younger ones, that they cannot keep up the pace of their "prime" years. It is thought, too, that older workers are absent much more than their younger colleagues, that they are more prone to serious illnesses and accidents.

Two recent studies—one a Department of Labor analysis of the job performance of production workers in 26 plants, and the other one of office workers in five government agencies and 21 private companies—disclosed that the difference in output between the *individuals* of a selected age group was larger than the differences between age *groups* themselves.

It was significant that, on the average, a large proportion of the older workers exceeded the performance of the younger ones. In addition, the older workers—especially those

between the ages of 55 and 64—were found to be more consistent in their work performances than the younger workers.

Thus, the generalization that younger workers perform better than older ones is hokum. And so is the one stating that the older workers are absent more often. The reverse is true: all our studies show that the older worker is less given to absenteeism than the young worker. The older man is likely to be a family man, a home owner with community responsibilities that make his presence on the job important to him. He is more settled than his younger colleague; he has already put down his roots and is seeking permanent employment and steady work.

Another charge is that older persons are set in their ways and unable to adjust to the rapidly changing conditions of our modern economy. It is argued that an older employee is going to "do things his way," and will not take full advantage of efficient modern techniques.

This claim of inflexibility just isn't factual. Psychologists have concluded that, in the working world, a mature individual learns differently from—but as well as—a younger one. The older worker's experience enables him to select, to value, and to conserve; and his background enables him to grasp principles. A sampling of 160,000 job seekers showed that the 40-plus worker possesses far better occupational qualifications than his junior. Twice as many older workers were classified as skilled.

The popular conception of missile-age work as a "young people only" world is based on the assumption that,

since these industries have expanded only in the past few years, skills acquired previously are obsolete. The fact of the matter is that skills are interrelated; a man who can do one job well finds it easier to adapt his skill to a new set of challenges and circumstances. The growing electronics industry of New England, for example, is using the skills of a stable work force previously employed in other industries.

Thus, an older worker is probably every bit as flexible as a younger one. His past training may even give him a head start.

Perhaps the most often stated and most persuasive of the arguments against hiring older applicants is that the employer's costs rise sharply when an older person is enrolled in a pension plan. An employer to whom immediate cost is important may thus set an arbitrary age limit on new applicants. But the ultimate cost will not be substantially greater under most current pension plans. These relate benefits to length of service, or to levels of current or future earnings, or to both. Since the older worker entering the plan will have a shorter period of service before retirement, the benefits and the cost will generally be proportionately smaller.

This, in itself, may be an obstacle. Many employers may feel that the payment of a small pension, or none at all, is the worst kind of public relations. Today, with the employer contributing to the improved federal old-age benefits at the same rate for every employee, this feeling loses some of its validity. Moreover, increases in cost are often offset by the older worker's experience, dependability, and lower turnover.

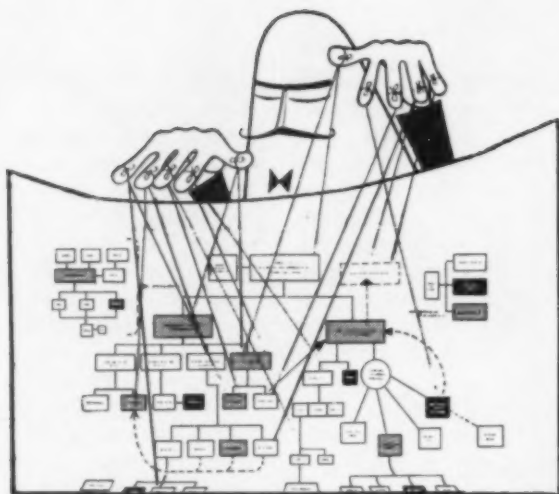
Related to the fear of pension-plan costs is the notion that older workers are more prone to accidents. Here again, cost is the central concern. But workmen's compensation rates are based on a particular company's accident experience and the relative danger of the work performed. Age has no bearing on such rates. This is proper, since our studies have shown that older workers are no more prone to accidents than younger ones.

Our studies have made us realize that generalizations applied to older workers are simply not true. Employment policies must be based, not on any group myth, but on the worth of the individual. The nation must not be deprived of an invaluable resource—the proven ability of its older workers—at a time when we are in a global economic contest. ♦

Lower Job—Lower Morale

A MANAGER who hires a worker for a lesser position than he formerly held may be in for a morale problem, according to a survey by the Institute of Labor and Industrial Relations of the University of Michigan and Wayne State University, as reported in *Factory*.

A downward status change may damage the self-esteem of a worker more than his being unemployed. The out-of-work person has hopes of a position as high as or higher than the one he previously held, but the man who takes a lower-status job has already had his hopes dashed.



Why Decentralization Fails

By A. V. MacCullough

Condensed from The Business Quarterly

A FEW YEARS AGO, the president of a holding company held a tight rein on an organization with some 12 or 15 subsidiaries. It was strictly a centralized operation. Facing the future prospect of three more acquisitions, he became intrigued with the idea of decentralization. It sounded good to him, because he had heard it would allow him much more freedom. So, abruptly one day—without having discussed his intentions with even his closest associates—he announced that the entire company was now decentralized, and that each of his general managers should run his division autonomously.

The decentralization failed. Admittedly, this was an extreme way to handle the project. But in many

cases not so extreme, decentralization still fails. Why does it fail, and how can top management effectively put decentralization into practice? Let's go back and examine this case to determine where the errors lie.

First, the president failed to see that important changes in position and duties occur when a company is converted to a decentralized operation. Even though each general manager retained the same title, the same office, the same salary, and the same reporting relationship, his position and responsibilities were substantially changed. If the president had tried to write the specifications of the reconstituted position of general manager, he might have recognized the radical difference between the

The Business Quarterly (Summer, 1960), The School of Business Administration, University of Western Ontario.

specifications of the old position and those of the new one.

The president failed to see that decision-making, too, must be decentralized to lower levels in the organization. He expected the general managers to follow company policies with which only he was completely familiar. He gave them no direct policy guidance, with the result that the same questions were sent top-side again and again for his attention.

This president also did not understand how to delegate, what to delegate, or when to delegate. Some of the general managers, being cautious and conservative, were reluctant to make strategic decisions, and they continued to refer important problems to the president. As a result, he lost faith in them. Yet, it was his fault, because he had never trained or tested them. Other managers tried to make their own decisions, and were reluctant to refer anything top-side. The president ultimately developed a fear that they were acting *too* independently—and sometimes wrongly. He did not like the way either type of general manager was operating.

The general managers themselves were not happy with their new arrangements. They had not been given objectives, policy statements, performance standards for their divisions, or any training for their revised responsibilities. They did not know how far they could or should go on their own, for they were not told how much authority they had. They felt a decreased sense of security.

Another major deficiency in this situation was the lack of adequate management controls. Decentraliza-

tion frequently requires controls unlike those used in a centralized operation. What is needed is a system that operates against standards, objectives, and goals, rather than personal supervision.

The president was operating under still another handicap: He assumed that subordinates resent and resist controls. The truth is that good standards, objectively applied as a measure of a subordinate's performance, will most likely be accepted by the subordinate as fair, reasonable, and as a challenge, and will also provide him with information, support, and encouragement.

In a decentralized operation, each unit of a business is often expected to "stand on its own feet," to make a substantial profit as a means of justifying its existence. Further, executives expect each unit's profit within an arbitrary 12-month cycle. The division in a decentralized operation that doesn't show a satisfactory profit for a year or two—due, perhaps, to nonrepetitive expenditures like new equipment or marketing research—is apt to be considered the "weak sister" of the outfit and serves as further "proof" that decentralization doesn't work.

Another problem is the new role of the headquarters staff. There are many companies under centralized management which have a headquarters staff composed of such line positions as chief engineer, chief chemist, chief accountant or controller, and directors of labor relations, purchasing, or manufacturing. In most cases, these men have real authority in the numerous plants of the company. When decentralization occurs, the

revised roles of these headquarters people frequently are not clearly redefined. Are they "line" or "staff"? Have they the right to order, or to advise? And, if their advice is not accepted, what are the consequences? Here is the perfect set-up for political warfare within the company—and for the failure of decentralization.

The newly decentralized company often claims to want the several units of the business to be completely independent. However, there often seems to be great difficulty in cutting

the corporate umbilical cord. The parent company, like any parent, must show considerable restraint. What should the parent company's attitude be? Certainly, it must look for long-range results. But it must also be prepared to offer immediate advice when it is solicited, and to help finance a division's venture when fast assistance will spell the difference between the project's success or failure. And, again like a parent, an organization must *prepare* its "progeny" for independence. ♦



"I wonder how this will affect our corporate image?"

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Trade Publications: INDUSTRY'S SILENT SALESMEN ABROAD

*Condensed from
Foreign Commerce Weekly*

THOUSANDS of glamorous trade and consumer publications containing the news and advertisements of U.S. industry, wondrous mail-order catalogs, and intriguing telephone directories—these are the “silent salesmen” of the U.S. National Export Expansion Program in every corner of the globe. These publications portray practically every aspect of the American way of life to people overseas and create a desire for U.S. goods ranging from housewares, cosmetics, and sporting equipment to heavy industrial machinery.

Foreign Commerce Weekly (July 11, 1960), U.S. Dept. of Commerce.

From the beginning of the Department of Commerce's Trade Mission Program, U.S. publishers have donated the “commercial libraries” displayed at the U.S. exhibits at international trade fairs overseas. These publications are utilized constantly by trade-mission members in their thousands of interviews with foreign businessmen and government officials. These business and commercial magazines have been so effective abroad as ambassadors of good will that, as part of the National Export Expansion Program launched by President Eisenhower this spring, their distribution is now being extended to 243 U.S. Foreign Service posts in all parts of the world. The Office of Trade Promotion estimates that a total of 3,000

copies of 22 different publications will thus be available free to foreign and visiting U.S. businessmen.

These publications cover a wide variety of specialized fields, and include the following titles: *Advertising Age*; *Industrial Marketing*; *Missiles and Rockets*; *Airlift*; *Bakers Review*; *Candy Industry and Confectioners Journal*; *Electronic Design*; *Coal Utilization*; *Mechanization*; *Modern Medicine*; *Qualified Contractor*; *Automation*; *Foundry*; *Steel*; *Progressive Grocer*; *Tire, Battery and Accessory News*; *Industrial Equipment News*; *Modern Railroads*; *Appliance Manufacturer*; *Better Farming Methods*; *Hatchery and Feed*; and *Poultry Processing and Marketing*.

Magazines like these often take over the spotlight at U.S. exhibits at international trade fairs. The trade fairs themselves, of course, are vitally important to the conduct of global business. More and more businessmen have participated in the fairs, where they have discovered new opportunities to establish foreign commercial relationships, to develop new markets for their goods and services, and to locate new items for import. To date, there have been more than 85 official U.S. exhibits in 28 countries, participated in by 5,000 U.S. companies and seen by more than 50 million people. The 1960 spring schedule included U.S. exhibits in trade fairs at Osaka, Japan; Milan, Italy; Casablanca, Morocco; and Poznan, Poland. The autumn program will take U.S. displays to Damascus, Syria; Izmir, Turkey; Kabul, Afghanistan; Vienna, Austria; Salonika, Greece; Zagreb, Yugoslavia; and Tunis, Tunisia.

As an adjunct to official U.S. par-

ticipation in the international trade fairs, the trade missions program was developed in 1954. The usual trade mission comprises three to five businessmen with recognized ability and specialized business experience, and each mission is led by a qualified official of the Department of Commerce. Of prime importance to every mission is its "research department"—the commercial library consisting of the thousand or more business publications and directories covering every category of U.S. industry. The rows of publications—all largely supported by the advertising dollar—give substance to mission members' recommendations that judicious advertising in U.S. trade journals can yield rewarding returns for U.S. and foreign businessmen alike.

In mission members' discussions with overseas businessmen and government officials, the trade publications—carrying the advertising message to the client, bringing buyer and seller together, and relating the strides made within industry—are referred to constantly. On a long and busy day, a trade mission member may talk with 30 foreign businessmen interested in trade and investment opportunities. The entire mission may see from 75 to 150 individual businessmen a day, plus many more if there are group meetings or panel discussions. Without the library, the mission would be severely handicapped. Confucius' saying that "one picture is worth 10,000 words" was never truer than at a Trade Information Center.

An American mail-order catalog is indispensable to the trade mission member, as the catalog shows the

price structure of many thousands of commodities. A foreign businessman may inquire what he could sell a lace doily for in the United States. The mail order house catalog will give him a pretty good idea. Another inquiry might be related to U.S. motels. The mission member can readily pick up a motel magazine, and show the questioner pictures of U.S. motels from Florida to California.

The Bureau of Foreign Commerce has sent out some 100 commercial libraries of 1,000 publications each over the past six years for use of trade missions. All publications are coded to enable the trade mission member quickly to find the specialized publication he needs to provide the answers he wants. The average mission will talk to 2,000 to 5,000 people. Thanks to the commercial library, the mission members are seldom without answers.

Our telephone directories sometimes hold the key spot on the publications parade. For example, a mission to Poland was swamped by people who had been cut off from news from the free world and who were trying to learn whether or not relatives in the United States were still alive. The mail order catalog is another favorite. One of them was so popular at a trade fair in Berlin that 40 more were made available to visitors to the U.S. exhibit. They were in constant use.

Each trade information booth at a fair is regularly staffed by a Department of Commerce official, a secretary-receptionist, an interpreter where required, and, where possible, a member of the commercial staff of the embassy or consulate. If a trade

mission visits a country where there is no fair going on, it might find that there were three or four U.S. commercial libraries already in that country. The mission would set up its own library in a hotel exhibition hall or in other rented space in a key location.

At the conclusion of a mission's visit to a country, its commercial library is turned over to a U.S. Foreign Service post, or the principal government or trade organization in the country, to continue its role of intermediary in foreign commerce. On one occasion, the library was presented to the Indonesian Minister of Economics in Djakarta. E. Paul Hawk, Director of the Trade Missions Division, Office of Trade Promotion, recalls that in Burma a university professor brought his entire class to see the trade mission's commercial library. Mr. Hawk personally greeted King George VI of England when he visited the commercial library at a trade fair in London. Prime Ministers and Ministers of Commerce frequently are attracted to the libraries and are greatly impressed by them as examples of the exchange of information in a democracy.

Addressing the annual convention of the Advertising Federation of America, Secretary of Commerce Frederick H. Mueller said recently that the mission of businessmen and advertising men today includes salesmanship for freedom. "Our paramount opportunity," he declared, "not only is to sell more soap and stardust, but to sell our free system—and to sell it better in the minds of men every way." ♦



8

WAYS TO LOSE

The Right to Manage

Condensed from Management Methods

SIMPLE MISTAKES can permanently destroy a vital part of your right to manage. A right you drop, even unintentionally, will be grabbed up—probably by your workers themselves. How do you avoid these mistakes? One way is to be aware of these eight common “danger” areas where your right to manage is in jeopardy.

- *Danger 1: When you fail to look ahead.* Some circumstances are difficult—and others impossible—to anticipate. Examine every provision, every agreement, and every concession in the light of every conceivable circumstance.

One employer agreed to give five days' advance notice to employees in the event of a layoff, or five days' pay in lieu of such notice. The agreement seemed logical, since the company always knew well in advance when business was declining, and could give notice without difficulty.

But the company did not foresee the layoff caused by a conveyor breakdown. Certainly, management thought, the agreement wouldn't apply to this two-day stoppage. But it did. Lost: the right to call a temporary layoff.

In another case, management agreed that senior employees would be the last to go in the event of “a reduction in force.” Then a temporary parts shortage halted production on one model. It called for a short layoff of several employees—not a major reduction in force.

The contract didn't provide for a temporary situation. So, during the few days that production on the one model was stopped, the company had to make scores of job shifts back and forth to keep the senior men working. Lost: the right to lay off senior employees temporarily.

- *Danger 2: When you list only part of your rights.* When a firm

*Management Methods (May, 1960), © 1960 by
Management Magazines, Inc.*

spells out only *part* of a right, there is a strong inference that the remaining portion of it has been abandoned. For example, an employer insisted that this phrase be included in the labor contract: "A maintenance employee is required to work overtime, with or without notice, when there is an emergency." The union agreed.

However, management failed to define *all* the times when it can require a maintenance man to work overtime. It discovered that, in practice, *only* in an emergency could a maintenance worker be required to work overtime. Lost: the right to require overtime at will.

At another firm, the contract specified that a supervisor may perform a union member's work if there is an emergency and no union employee is available. One day, a worker was absent, and a small but vitally needed piece of work had to be done on his machine. It was unquestionably an emergency situation. The supervisor could have done the job in a matter of minutes.

But according to the contract he could do the work only if "no union employee is available to do it." In order to protect himself, the supervisor had to spend valuable time searching the plant for another worker who could do the job. Only after wasting this time was he able to do the job himself. Lost: the right of a supervisor to perform a small task.

• *Danger 3: When you drop negotiation demands.* Management can place itself in a delicate position if it makes a proposal in negotiations and then loses the proposal in the shuffle. In one plant, union stewards

were abusing their privileges. Management proposed this clause: "When a steward takes too much time investigating a grievance, he will not be paid for such time; furthermore, if he continues such practice, he will be subject to discipline." But through an oversight, this clause was not included in the contract. Does this mean an unlimited sanction of steward activity? The union thought so, and the stewards acted accordingly. Lost: the right to restrict a union steward's activity.

• *Danger 4: When you're careless with contract language.* Poor language or poor phraseology in a contract can bind you to rules you never meant to make. For instance, an employer agreed to give senior employees preference when there was a job opening to fill. Management meant this clause to pertain to a job that had to be filled by *promotion*. But as jobs opened up, senior employees already within the classification started to claim the jobs that were easier, cleaner, or in a better location. As a result, the employer saw his best employees drift to the softest jobs. In addition, the company sometimes had to make six or seven moves within a classification before it could make the promotion intended in the first place. Lost: the right to fill the most responsible jobs with the best men.

• *Danger 5: When actual practice differs from policy.* Sometimes management will fight to retain a right—and win. Yet in daily practice, the right is often forfeited. In one situation, management had strongly resisted a demand for paid wash-up periods, feeling that, since employees

were being paid for eight hours of work, they should work right up to the whistle.

But employees were enjoying a paid wash-up period anyway. Supervisors knew about it, but turned the other way, conceding the management policy. Whenever they tried to enforce the rule against wash-up, there was trouble. They had trouble enough, they felt, so they permitted workers to wash up during working time. The policy soon became entrenched. Lost: the right to demand a full day's work.

• *Danger 6: When contracts are not clearly explained.* When a union-management contract is not clearly explained to those specifically concerned, a serious loss of management rights may result. In one instance, wage scales and job descriptions were written into the contract. Both union and management clearly understood that the job descriptions were intended only to outline the major duties of the various classifications, and not to "freeze" the duties of any classification. Nor did management mean that employees in one classification could not be given other jobs.

Nonetheless, it became known in the shop that workers could not be assigned tasks that were not outlined in the job description. This came about because the supervisors had never been told the true purpose of the job descriptions. By the time an explanation was made, the situation was critical. Lost: the right to assign a task not included in a job description.

One company's contract provided for time-and-a-half after eight hours of work, as well as a bonus of 10

cents an hour for those working the evening and night shifts. When a day man worked overtime, however, management did not intend that he be paid the 10-cent bonus along with his time-and-a-half. But the Accounting Department didn't give the matter much thought, and when a day man worked overtime into the evening shift, he was paid both time-and-a-half and the bonus. After all, the accountants reasoned, they had no instructions to the contrary.

An arbitrator was summoned to solve the problem. He felt that the Accounting Department was in the best position to interpret the pay clause of the contract and agreed that its interpretation was correct. Had management clarified the contract in the first place, a costly precedent—which an arbitrator confirmed as policy—might not have been set. Lost: the right to set pay scales for daytime workers.

• *Danger 7: When you don't back up supervisors.* If you fail to back up supervisors on policy matters, you can permanently rob yourself of priceless rights. Here's an example: A contract preserved management's right to discipline for just cause. One employee consistently refused to follow his supervisor's instructions. Although the employee had been told time after time to ready the next part while his machine was in cycle, he waited instead through each cycle, readying the part when the cycle was completed. Several minutes were lost each time.

Finally, the supervisor spoke sharply to the employee and there was a heated exchange. The supervisor sent the employee home with the admonition that he had better be more

cooperative when he came in the next day. Next day, a grievance charge was filed. The steward claimed that the supervisor was at fault. The supervisor had been hounding the employee, the steward said, and had insulted him, and the argument was solely the result of the supervisor's harsh and unreasonable attitude. A work stoppage was threatened. Top management yielded. The employee was given the pay he had lost and was not criticized.

The supervisor was bewildered. The real issue had been overlooked. The only discussion had been about the argument and the words used. From then on, the supervisor assumed that he could not take action against an insubordinate worker. Lost: the right of supervisors to discipline employees.

• *Danger 8: When you summon an arbitrator.* You can lose important rights in arbitration. When an arbitrator must either interpret the language of a contract or settle a dispute over contract terms, management rights hang in the balance. Here are three ways you can safeguard yourself against losing some of these rights.

1. *Narrow the question at issue.* In usual arbitrations, the arbitrator cannot add new contract provisions; he can only interpret those which have been written. The risk of losing your rights is lessened considerably if the parties involved submit a written paper which specifically details the question the arbitrator has to answer.

For example, this might be a typical question for an arbitrator: "Was the assignment of Joe Smith to ma-

chine M217 in violation of Article V, Section 2?" The arbitrator can answer only "yes" or "no."

2. *Choose carefully the case to be arbitrated.* Often, management is not very astute in its selection of a case to test its strength. Consider this example: A plant policeman refused admittance to an employee who seemed to be drunk. The employee went stright to union headquarters. He had had a glass of beer, he said, and wasn't staggering. He had turned his ankle and had momentarily lost his balance.

The officers at the union who talked to him said that he was unquestionably sober. But management refused to sidestep the issue. The case went to arbitration. The arbitrator granted the employee pay for the day of work he lost, claiming he should have been allowed in. The plant police were embarrassed, and now wonder if they can stop an employee at the gate. Management would have been wiser to wait until an employee had come to the gate really drunk before exposing this issue to arbitration.

3. *Prepare for a hard fight.* Chances are most cases that go to arbitration will be settled without a long, hard battle. But management often loses important rights in arbitration because it handles the cases poorly.

What is at fault? Experience shows that hasty preparation, lack of respect for the adversary, or just plain optimism is usually to blame. Management seems to feel that, come what may, its representative will rise to the occasion. When he doesn't, the arbitrator is blamed. ♦

BRIEF SUMMARIES

of other timely articles

GENERAL

PRIVATE BUSINESS & PUBLIC EDUCATION IN THE SOUTH. By Helen Hill Miller. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July/August, 1960. Reprints \$1.00. Unrest over school desegregation is jeopardizing effective business operations in the South, according to the author, who traces a brief history of some state reactions to the Supreme Court decision calling for nationwide desegregation and cites situations in which citizen efforts on behalf of order and progress prevented any outbreak of violence. The main emphasis is on what businessmen in the South can do to help bring about stable conditions that will insure that the whole labor force will be educated, and that valuable employees will not pack up and leave because their children are not getting an education.

IT'S TRICKY WORK, BEING BOARD CHAIRMAN. By Perrin Stryker. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), May, 1960. \$1.25. Despite the power and responsibility of the board chairman, it is the top company officers who actually manage, according to this article, which deals with problems of overlapping authority. To illustrate how the balance of power varies from company to company, the author presents the very different operating procedures of three board chairmen—James W. Murray of General Precision Equipment Corp., Mutual of New York's Louis W. Dawson, and from Merck & Co., Dr. Vannevar Bush. The first shares problems equally with his chief executive

officer; the second now confines himself to the role of senior consultant; and the third conceives of himself as a testing board for his officers' ideas and strategies.

SOME PITFALLS FOR EMPLOYERS UNDER THE 1959 FEDERAL LABOR LAW. By T. L. Tolan, Jr. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 46, Ill.), June, 1960. \$1.00. While the 1959 Federal Labor Law imposes responsibilities on unions, it does not, as a corollary, necessarily grant rights to employers, the author declares. In an examination of various sections of the law, he points out several situations that could cause considerable trouble and financial loss to the employer: for instance, the section providing that no labor organization may limit the right of any member to sue in any court may leave the employer with a large back-pay bill if a worker wins a suit challenging a lower pay rate established previously in an arbitration proceeding.

PERSONNEL DIRECTORS IN A MULTI-PLANT OPERATION. By Dale D. McConkey. *Personnel Journal* (P.O. Box 239, Swarthmore, Pa.), May, 1960. 75 cents. Where is the boundary between line and staff responsibilities? To whom does the personnel manager of a branch report? The increase in company size resulting from mergers gives rise to these and related questions examined here by the author, who holds that many of them would be auto-

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matically solved if good organization principles were set up and followed. He provides a chart that outlines main office-branch plant organization (indicating functional control between staff sections), gives examples to demonstrate

the extent of control of the personnel vice president over the plant manager, and shows how a policy originated by the personnel vice president gets to the personnel manager of the branch plant for implementation.

MARKETING

PHASING RESEARCH INTO THE MARKETING PLAN. By Lee Adler. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May/June, 1960. Reprints, \$1.00. To solve the problem of over-preoccupation with narrow investigations in marketing research, management must devise long-range research plans to guide the design of individual studies, according to the author. He recommends the following steps: decide on long-term marketing objectives; enumerate the policies, plans, and programs needed; identify road-blocks to progress; define how marketing research can contribute to problem-solving; obtain agreement of all members of the marketing team on the plans; set up a priority order and timetable for the research projects; and allocate the necessary budget, personnel, and facilities for implementing the long-range program.

HOW TO SELL THROUGH INDUSTRIAL DISTRIBUTORS. By Howard G. Sawyer. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), May, 1960. 50 cents. This basic guide is designed to help boost sales through industrial distributors and includes a 13-step program for planning a superior distributor organization, acquiring aggressive dis-

tributors, training distributor salesmen, improving principal-distributor communications, providing the right sales aids and sales promotion, and promoting the distributors to the field. Even if a product has less potential than the distributor's other lines in terms of sales and profits, the author says, a manufacturer may secure disproportionate time and attention for it by presenting attractive collateral propositions, such as a prompt delivery schedule or sales and promotional aids.

USING FACTS FOR PROFIT. By Thomas J. McGarr. *Industrial Distribution* (330 West 42 Street, New York 36, N.Y.), May, 1960. \$1.00. "What products should I sell?" "Who should be my customers?" "What territory should I cover?" "At what price can I afford to sell?" Meaningful answers to such questions hinge on the development and intelligent use of marketing data, according to the author, whose approach to the problem of decision-making in this area incorporates the following: (1) maintenance of current return on investment, (2) improved cost status through greater efficiency, (3) improved performance by products, territories, and customers, and (4) operations on a lower asset structure.

PRODUCTION

TEN TOP PLANTS OF 1960. *Factory* (330 West 42 Street, New York 36, N.Y.), May, 1960. \$1.00. The ten top plants of 1960, selected from over 500 candidates after a full year of screening, are reproduced from water-color paintings in this 61-page article,

which includes many other photographs of special plant features that incorporate utility with beauty of color, line, and form. Discussion of each plant reveals scores of ingenious solutions to plant design problems, and a fold-out sheet gives specifications for each in such

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areas as office and plant statistics, grounds, electrical supply, lighting systems, in-plant communications, services, disposal facilities, air handling, employee facilities, fire and plant protection, and maintenance facilities.

ALUMINUM AS A DESIGN MATERIAL. By Arthur Gregor. *Industrial Design* (18 East 50 Street, New York 22, N.Y., May, 1960. \$1.50. Although aluminum is more expensive than steel in terms of initial purchasing cost, it may be less expensive in the long run because of its simpler, cheaper fabrication and finishing techniques, declares the author in this discussion of where aluminum is best used and where best avoided or augmented with stronger metals. He points out that its lightness, resistance to corrosion, and workability make it particularly suitable for contemporary design (miniaturized products, indoor-outdoor furniture, aircraft parts) and reports recent production

techniques that promote new design ideas—e.g., impact extrusion, permitting the one-piece construction of cylindrical shapes. Photographs.

NEW PROCESSES AND TECHNOLOGY. *Chemical Engineering* (330 West 42 Street, New York 36, N.Y.), May 2, 1960. Reprints 50 cents. A guide to significant technical developments in the chemical process industries for the period beginning March 1958, this 18-page report includes almost 300 listings, classified under the following groupings: fine and heavy organic chemicals; inorganic chemicals; metals; nuclear materials and technology; petroleum and natural gas products; plastics, resins, and rubber; pulp and paper; synthetic fibers; and technology advances. Only products in an advanced stage of development are covered, and for each of them, information is given as to process, user, and features, as well as special production aspects.

OFFICE

WHEN THE COMPUTER TAKES OVER THE OFFICE. By Ida Russakof Hoos. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.) July/August 1960. Reprints \$1.00. Two years of research by the author on the impact of automation in the office afford new insights into the actual effects of the new technology—not the least among them that the computer is altering jobs for middle and top management as well as for the clerical staff. Refuting some of the clichés often proffered by EDP managers, the author maintains that automation cannot cut clerical costs without causing job losses, and she calls for careful study of automation in specific areas to solve the problem of displacement of people by machinery.

NATIONAL SURVEY OF COMPUTER DEPARTMENT SALARIES. *Management and Business Automation* (600 West Jackson Boulevard, Chicago 6, Ill.), June, 1960. 75 cents. A survey directed by Philip H. Weber and Co. analyzes 35 different

computer department positions for salary, responsibilities, and job content, and is based on data from 489 companies in 33 industrial categories in 78 cities and 22 states. The computer and auxiliary groups are divided into six general groups: control, analysis and procedures, programing, computer operations, auxiliary equipment, and E.A.M. equipment—and classification titles are assigned to indicate the level of each job in each group. Many of the companies participating in the survey are listed.

HOW TO USE A COMPANY PRINT SHOP. By W. Paul Gilpin. *Modern Office Procedures* (812 Huron Road, Cleveland 15, Ohio), July, 1960. 75 cents. Designed for companies that want to save money by doing their own offset printing, this article gives an explanation of the principle of offset printing and discusses equipment such as presses, printing plates, cameras, combination machines, and auxiliary equipment, as

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well as the selection of ink and paper. The author suggests factors to consider (volume of printing anticipated, quality of printing desired, weights and thicknesses of paper to be run) before selecting a press, and provides a list of suppliers for printing equipment.

ADJUSTMENT TO THE INTRODUCTION OF OFFICE AUTOMATION. Sponsored by the U.S. Department of Labor. (Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.), May, 1960. 50 cents. This 87-page pamphlet presents results of a

study, undertaken by the Bureau of Labor Statistics, of the installation of electronic data-processing in 20 offices in private industry. It covers a variety of subjects: the objectives and results of electronic data processing; extent of displacement and reassignment of office employees; practices regarding transferring, retaining, and selecting employees for new occupations; characteristics of employees who were assigned to new positions after their jobs were eliminated; and some implications of office automation for middle-aged and older employees.

FINANCE

AN APPLICATION OF REPLACEMENT VALUE THEORY. By A. Goudekot. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N.Y.), July, 1960. 85 cents. Because of opposition to the replacement-value theory of accounting on two fronts—those who reject the theory in principle, and those who argue that it is impractical in its application—the author undertakes to prove that a company's net income or loss and capital can be calculated properly only by this method and to demonstrate how practical difficulties can be overcome. He supports his case for the defense with a detailed explanation of how the theory is successfully applied by the Philips Company of the Netherlands to present results in units of constant purchasing power.

PROBLEM IN DECENTRALIZED PROFIT RESPONSIBILITY. By John Dearden. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May/June, 1960. Reprints \$1.00. Although decentralizing the responsibility for profits is popular, many company systems for doing so are ineffective, the author maintains, because they actually encourage divisional managers to make decisions that are inconsistent with over-all company interests. He pinpoints defects in various methods currently

used for assigning values to divisional facilities and proposes a new system, incorporating the following features: evaluation of divisional facilities at their going economic value; annual reduction of the divisional investment by an addition to the accumulated depreciation amount; addition of other investments to the investment base at cost, and change of asset values in unusual circumstances.

GETTING A GRIP ON COSTS AND PAY-OFF. By Karl H. Meyer. *Automation* (Penton Building, Cleveland 13, Ohio), July, 1960. \$1.00. Real dollar payoff on automated installations can be extremely elusive, and to be sure of financial success, the author advocates examination of all facets—simple improvements, product design changes, and entire production line replacements at once or over a period of time. To calculate the worth of a proposed investment, he recommends techniques that employ the following considerations: return on net capital investment before federal income tax; return on total net cash expenditure after tax, in the form of an annually compounded interest rate; and evaluation of labor, material, overhead, rebuilding, retooling, floor space, maintenance, engineering, inventory, inflation, and salvage value.

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Business and the Space Age

(Continued from page 19)

possible time. The objective of Centaur is to attain greater capability over a longer period of time.

The Military Space Program

The rapid progress that this country has made in developing space-age technology has resulted from the fact that the Department of Defense for many years has been undertaking programs of space-age study and hardware development. Military missile capability has been convertible to space or astronautical projects. Without this missile technology, stepping stones for this country's venture into space would not have been available. Progress has been made using rocket engines, ballistic missile boosters, guidance systems, tracking facilities, trained technical personnel, missile assembly plants, launching sites, and missile ranges developed by the military.

Military missile development has made tremendous strides since the early familiarization test firings in 1946. Today, projects include work on navigation satellites, communications satellites, missile defense alarm system, space power research, and meteorology satellites, as well as all-important maneuverable and recoverable space vehicles.

Scope of the Military Market

Space technology from a business standpoint must be examined in its relationship to its primary supporter, the Department of Defense. In the total business picture, the Department of Defense accounts for approximately one-tenth of the total output of the United States economy, making it the largest single customer of U.S. business. If we classify military expenditures by categories, the largest is that of procurement programs—the production and purchase of military weapons. This represents roughly 40 per cent of total defense expenditures. Maintenance and operations purchases, such as office supplies, petroleum products, medical equipment, and the like, represent approximately 25 per cent of total military expenditures. The expenditures for personnel take

another 25 per cent. Research and development expenditures account for 5 per cent, and military public works—a category including navy yards, troop training facilities, air fields, and missile launching sites—account for an additional 5 per cent of total military expenditures.

In the future, expenditures for research and development as well as for the procurement of new weapon systems appear to be the most rapidly increasing items, but military spending as a whole in the next 15 years is not expected to rise as rapidly as the total output of goods and services in the economy.

The Air Force has become the largest military customer and will probably maintain its position for a good many years to come. Missile and strategic space-system purchases will probably exceed Air Force aircraft expenditures by the end, if not the middle, of this decade. In both the Army and the Navy, missile expenditures will probably play a dominant role.

EXPLORING NEW TECHNOLOGIES

Management decision-making relating to development or investment programs must give careful attention to the current programs and state of the art, and to the probable direction of future efforts. Many growth companies are taking time out to explore opportunities in these areas. Space technology is being studied at top levels, because its implications are far too great for second-echelon decision making. On an equivalent stage-of-growth basis, our total national investment in space technology already exceeds many times our earlier investment in atomic energy. Today, atomic energy is an industry in its own right. We can expect space technology's impact to be far greater, if only because it comprises so many separate technologies—and the development time will be shorter than that of atomic energy.

There is no getting away from the fact that thinking must be turned into action to produce profits. But action must be more than motion; businesses will profit only from disciplined and directed effort.

Two fundamental aspects are highlighted by the success of today's growth companies: First, those that have prospered have

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THE SPACE TECHNOLOGY TIMETABLE

Developments in space technology scheduled over the next ten years appear to be picked from the realm of pure fantasy. Yet these programs and their objectives are very real—and their impact on both military and business operations will be equally real. Now is the time to look ahead. The further ahead one looks, of course, the hazier the picture becomes and the less accurate is the projected timing; break-throughs accelerate schedules, and shifting political sentiment is reflected in changed programs. Within these limitations, however, the picture looks like this:

1960: Unmanned reconnaissance of the moon is the immediate target set by scientists. The Russians have deposited a payload of more than 600 pounds on a lunar surface in a "hard" landing. The next objective is to make a "soft" landing of instruments that can tell more about the moon, more that is needed for an eventual manned reconnaissance.

In the interplanetary sphere, Venus will quite likely be the focal point of an interplanetary probe as a step toward determining whether there is life on other planets.

A communication satellite that will permit the transmission of European television programs directly to this continent may be in orbit by the end of 1960. And some give odds that the Russians will place a man in orbit by the end of 1960.

1961: This year will see further refinements in space technology that will form the basis for the unfolding of programs scheduled for future years. Photographic reconnaissance techniques will be improved. More information will become available for analysis. More will be known about radiations to be encountered in space and the shielding necessary to provide protection from these radiations. The reliability of mechanical and chemical systems will increase the utility of space probes. A solution of the re-entry problem will permit the return of instruments with data that cannot be effectively transmitted back to earth.

1962: The United States Mercury astronauts are scheduled to go into orbit this year, taking off from the earth and circling the moon for a period of several weeks. Such studies will serve as a basis for a manned landing on the moon. Studies will be made possible through visual and photographic examinations. A robot rocket landing on the surface of the moon may be attempted.

1963: In 1963, a solar probe to investigate sunspot activity is expected to provide new knowledge of this phenomenon.

1964: By this time, the completion of an experimental manned space station will make possible astronomical, biological, and physical research under conditions previously achieved only with great difficulty.

Investigations will be free from atmospheric disturbance. In space, virtual vacuums are a normal condition. Correction for the effect of gravity is unnecessary. A wide range of temperatures is available, depending on the amount of the sun's radiation or the amount of shading from the sun's radiation.

1965: Ion propulsion of space vehicles should be achieved by this date. Such propulsion appears to approach the ideal power source. Nuclear systems should assure many years of operation with a single fuel charge.

1966: This year may see the beginning of preparation for permanent lunar settlements. The approach will necessarily be similar to that followed in establishing human occupation in any climatic extreme. As in the case of Antarctic exploration, the first expeditions will be reconnaissance. The lunar surface will be studied to determine the steps that will be necessary in adapting it to human habitation.

1967-1969: During this period, all the activities that took place in earlier years will be subjected to intensive study and further refinement. The importance of equipment reliability and emphasis on further improvement in reliability will result in virtual assurance of reproducible equipment performance.

Improved reliability will greatly accelerate scientific and engineering studies. Work at early space stations will greatly facilitate space programs. A nuclear power station in operation on the moon will make possible further studies by other experimental stations located on the moon itself. Toward the end of this period, manned space probes to other planets in the solar system should be possible.

Some believe that, by 1970, rockets will weigh three thousand tons (and that they will eventually weigh ten thousand tons or more). A three-thousand ton rocket could put a thirty-ton satellite into orbit or a ten-ton satellite into space—according to what is now known.

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hired the best minds and have weighed their counsel carefully. Second, their managements have taken time to plan for tomorrow's business. That is why so many companies (and often these are small companies) have pre-empted territories of bigger businesses whose managements are too preoccupied to think about the future.

In a nutshell, technology is making times tougher. But technological know-how is today's talisman. The race will be won by companies that take advantage of technological opportunities and combine ambition with know-how.

A manager might well prefer to rationalize his reluctance to face the difficulties of space technology by claiming that the special and peculiar problems that must be overcome before capitalizing on this new technology are very different from those of newly developed areas of the past. Actually, though, this is not true. The airplane, atomic energy, radio, television, and the development of antibiotics, to name just a few new technologies, all presented new demands—demands that were successfully surmounted by business managers who knew how to manage technology.

FUNDAMENTAL GROWTH FACTORS

To solve these problems in the future, as in the past, we must focus attention on top management's responsibility in managing technology and highlight some of the problems and opportunities that can prove particularly profitable for policy-level reflection.

Those who have been successful in achieving growth have put themselves in a position where they could pick and choose their way, drawing on the full resources of the corporation. They have been able to capitalize on four fundamental growth factors:

1. Management groups in successful growth businesses have learned how to develop data for decision-making. In the long run, time is saved and decisions are actually easier to make if the necessary background information on which to base decisions is developed before decisions are made. The alternative course usually involves a greater amount of time and energy in taking corrective measures to repair damage resulting from hasty decisions.

Some executives commit themselves to decisions too soon—before they are compelled to act. They succumb to the “strike directly at the problem” school of action. In theory, this is good, but it is rarely practical; most of the time it is not possible to focus directly on the problem. The more successful decision-makers take a walk around the problem area, gathering facts that they can use both to focus on the problem and to feel their way toward a solution. In following this course, they approach the problem in full perspective.

2. Growth companies have learned to get more mileage from their technical resources. For example, if today's supply of scientific and engineering manpower were effectively utilized, there would not be any talk of shortages. A surplus of professional time would be available to achieve goals now considered by some to be beyond the realm of potential achievement.

3. Executives of successful growth companies have learned to make effective use of the output of their technical efforts. One of the greatest wastes of a corporation's time, money, and manpower can be found within the research, engineering, and new-product development activities. Why? Because the corporation isn't organizationally structured to absorb and put to use new knowledge and new products as rapidly as they are created. On one pretext or another, good ideas are shelved while management orients itself to the newness of the idea.

Companies that have scored outstanding growth achievement records have been able to turn ideas into dollars quickly, before their competitors could seize the opportunity. The same abilities that are brought to bear in doing this job today are the ones that must be used in turning space-age ideas into dollars.

4. The management of scientists, engineers, inventors, planners, application specialists, and others who turn ideas into salable hardware calls for special talents. The most important ingredient is balance, and the men needed are those who can sense potentials in new ideas without forgetting the needs of the present. All new ideas are disruptive to a degree, but no new idea can be allowed to be seriously disruptive to the company's bread-and-butter resources unless it can make a necessary or potentially more profitable contribution to the business.

The managers who can effectively guide new programs are neither hapless visionaries nor conformists clinging to past practices. They can sense potential opportunities of the future and can draw on real values gained in the past. The knowledge, judgment, experience, and innate capacity that are always important in managing technology can most often be found in men whose background includes actual experience in science or engineering together with broad basic business exposure. Too many abortive attempts by self-styled experts have failed because of a lack of a real feel for the tools of the trade.

THE JOB OF MANAGEMENT

These four fundamental factors provide no magic key to an easy solution in tapping technology in the space age. They do, however, indicate that the solution lies in the direction of skilled and disciplined thinking applied to the management of technology.

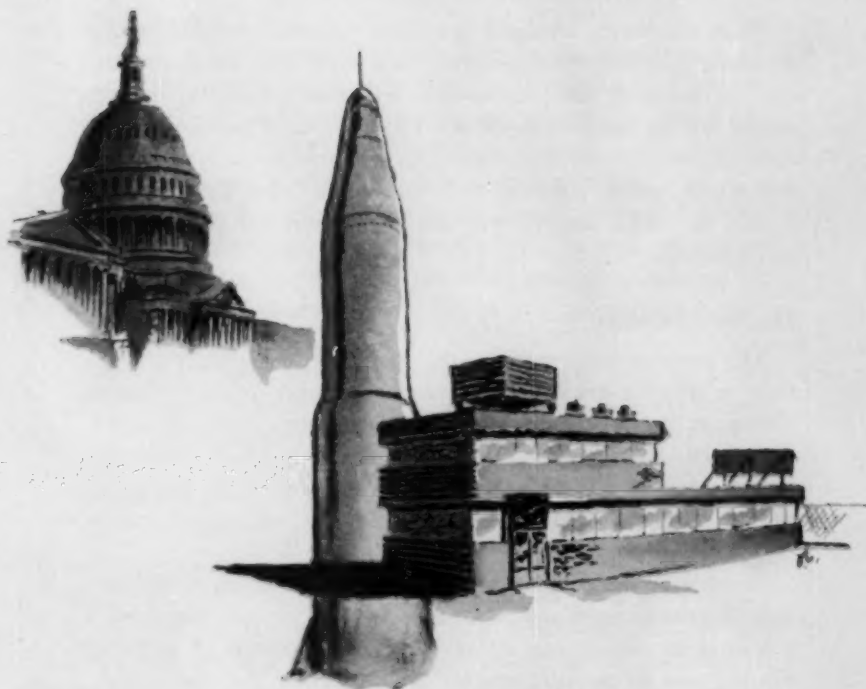
The climate in which business operates today creates very real opportunities for companies that utilize their technological capabilities to the fullest. This does not mean merely spending more money; even a comparatively small research budget can yield great returns—if the money is spent effectively.

It is time to toughen up management thinking about technology, to think more broadly about the scope of its activities, to scan the horizon in depth as well as breadth. The men responsible for the company's technology must also be held responsible for determining what will pay off, and when. This is part of the research and development function's responsibility to the corporation, and it cannot be shifted to others.

The way to accelerate the utilization of technology is to think in terms of the technologies needed to produce profits in the days ahead, rather than in the patterns of the past. The corporations that will capture leadership positions within specific industries will be those with a minimum of inefficiency and wasted resources. Corporations must be organizationally structured so that they can examine each new development in its own setting and capitalize on new ideas, using management methods tailored to conform to the specific needs of these ideas. To achieve this, the horizons of management's thinking must be broadened. Activities that create, guide, and co-

ordinate development programs must be given top-level attention, and management must insure that properly disciplined minds are searching in the right directions.

The rapid pace of technology calls for sweeping reappraisals of management thinking and action patterns if space-age advances are to be turned into profits. This can be done. The trail has been blazed, and the results have been dramatic. If these concepts could be instilled in everyone in the company, horizons would be unlimited in the space age. ♦



Corporate Publicity

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destroy the publication, because if it is not read it loses value for advertisers. Many media that have tried this method of keeping their balance sheets in good shape have met their demise. As a result, fewer publications than most businessmen suspect indulge in such exchanges, and there are some which have been known to drop larger advertisers simply because pressure was exerted.

The public relations executive does not like such gifts, because he feels it undermines his professional status with the publication. It is his job to find a common point of interest between the editor and his client and come up with a legitimate story worthy of publication, without pressure or an advertising deal.

METHODS OF OBTAINING PUBLICITY

Many techniques are used by public relations practitioners for obtaining publicity. Management often feels that these are the concern solely of the practitioners, and that business executives should not get involved in details. However, some familiarity with these techniques can help executives realistically to appraise the manner in which publicity is being handled for the company. It can also make for effective cooperation between publicist and management.

The Press Release

The press or news release—the basic tool of publicity—is the form in which a news item is sent from a public relations man to a medium. It is written in the style of a news story, with a headline, a dateline, an appropriate lead sentence and, where called for, quotations from the news source. The company from which the release originates is identified so that further information can be obtained if desired.

Few businessmen realize how many of their companies' activities make legitimate news and hence are worthy of announcement via a press release. Here is a list of some of the aspects of corporate life that can be excellent sources of press release material:

1. *History of the company*: anniversaries, new achievements in products, sales, financial resources, service awards.
2. *Manufacturing*: equipment improvements, safety devices, patents, inventories, origin and uses of new raw materials.
3. *Organizational policies*: changes in labor, city, state, or federal policies; community problems; stockholders; educational, religious, and social organizations.
4. *Personalities*: speeches by company officials and personnel; personal accomplishments of individuals within the organization; visits by famous personages; employee interviews.
5. *Research*: new experiments on equipment; research project resumés; future plans and programs; economic analyses and forecasts.
6. *Products and services*: new products or services; new uses for old products; product awards; efficiency and economy service records.
7. *Distribution and promotion*: forthcoming merchandise and promotional plans; new distribution channels; sales conventions; exhibits; dealer surveys; contests.
8. *Slogans, symbols, trade characters*: new symbol or trade character; endorsement of company products, service, or policies by prominent people; company slogan and history.
9. *Employees and their activities*: welfare and recreational activities; interesting personalities; gain in number of employees; father-and-son banquets and tournaments; retirements, births, and deaths.
10. *Community activities*: election of officers; local news as it relates to the company; community exhibits or recreational opportunities.

The Press Conference

A press conference is a gathering of editors to hear at first-hand the details of an important piece of news. A conference should be called only when the distribution of a press release in the mail will not do the story justice; when there is something that editors would appreciate seeing or hearing about first hand; or when there are questions that editors would like to personally ask

a key executive of the company. Too often a press conference is called by a public relations man to impress his client with the drama of talking to a lot of reporters at one time. This can prove to be embarrassing. If the news is not vital enough, or if a face-to-face confrontation is unwarranted, few reporters will turn up, and those who do will be annoyed by the waste of their time. The resultant publicity is therefore likely to be meager, and the members of the press will be less responsive when approached again with company news.

When news is of sufficient importance to warrant a press conference, it often helps to have on hand exhibits, charts, photographs, and possibly a press kit containing background information. If a new product is being presented, there can be a demonstration, with a brief talk by an engineer, research scientist, or member of management to explain what the product will mean to the company.

The Press Reception

A *press party* or *press reception* is different from a *press conference*. Such a party might be given on the occasion of a company anniversary, a trade show, or the introduction of a new line of



products. It is given as a friendly gesture to editors who might enjoy the opportunity to meet company executives on an informal basis. Publicity may or may not be forthcoming, but at least management can feel that editors will have a basis for giving fair consideration to its publicity ideas. Overly elaborate arrangements may prove embarrassing, however, for some editors may feel that an attempt is being made to curry their favor.

A *press junket* is a trip that editors are invited to make, at company expense, to a plant or a special place of interest where company activities are taking place. This has been criticized in some quarters as a means of giving editors a free vacation in return for publicity. Such a practice would clearly be unethical. However, when something of vital interest is going on in far-away places, it may be important for editors to see for themselves what is happening; and if their publications do not pay for such travel, it is certainly helpful for a company to foot the bill—provided, of course, no *quid pro quo* is expected.

Feature Articles

Company development of a concept that might be useful to other business concerns—or accomplishment of an unusual feat in production, sales, financing, or administration from which other companies might learn—can provide the basis for a feature article. Publicity of this sort cannot be obtained through a press release; it requires individual treatment in accordance with the editorial policies of a particular publication. Feature articles can be any one of the following types:

By-line Articles. These are signed pieces by members of management, engineers, researchers, or customers. The actual writing may be done by a public relations counselor, but the information and ideas for the article are usually supplied by the man whose name appears as the author. Magazines like to publish by-line articles by executives, because the authority of their position gives credence to the message of the article. By-line articles may also be written by free-lance writers whose names are well known in a particular field, in which case they will write about a company or its activities on the basis of interviews with management or material supplied by public relations men.

Case History Articles. These are like advertising case histories. A particular application of a product or process sold by the company forms the basis of the article, which may be written either by the public relations consultant or the magazine. Material is obtained not only from the company, but also from the customer, who is the subject of the case history.

Personality Articles. Many publications are interested in articles about unusual executives who have been responsible for outstanding company achievements. These are profiles of the business careers of such executives and are staff written on the basis of interviews with the executive and material furnished by public relations men.

Company Articles. These are about the whole company and what it has accomplished during a particular period in its history. They may emphasize production, finance, marketing, management, or some other aspect of company development, but in general the effect will be to give a picture of major happenings during the time span covered by the articles.

Round-Up Articles. These are about a whole industry, a type of product, or a type of company. Sometimes a public relations practitioner, knowing that his client will show up as the leader in the field, suggests such an article to an editor.

When a publication assigns a staff reporter to write an article about a company, he may or may not be sympathetic to management. Public relations counsel usually is cooperative in either case, and tries his best to get management's point of view across; otherwise, information may be obtained by the reporter from unreliable sources, with the result that facts may be seriously distorted and the article detrimental to the company. Even the best efforts of counsel may not, however, prevent a critical article from being published, for it is the reporter's prerogative, if not his duty, to present what he considers to be the truth.

Business executives may sometimes feel they have the right to see a copy of any article about their company before it is printed. They certainly have this right with any article that will be by-lined by a company executive, and occasionally a friendly free-lance writer will let the company see the article before he submits it to a magazine. Staff articles are rarely shown either to the company management or to the public relations practitioner, however, except to

check the accuracy of certain information, and the only changes permitted in these cases are corrections of errors in fact. If management is particularly sensitive about part of the story, it has a chance to prevent possible misimpressions. But if the fault is with the general point of view of the article, the best public relations man in the world cannot get it changed, and the company must try to make the best of what the magazine undoubtedly considers to be constructive public criticism.

News-Making Events

In addition to publicizing newsworthy events that happen in a company, a public relations program can create events that make news. This is particularly useful for companies whose day-to-day activities do not provide as much news as the public relations man would like to see. Such newsmaking events might be:

- An anniversary celebration.
- A seminar or conference.
- An award for special achievement.
- A survey of customers, employees, or stockholders on a subject of topical interest.
- A tour of installations or markets by a high officer of the company.
- A contest.

It is unwise to set up any of these projects if they do not have value in themselves aside from the publicity they will create. They must serve a real purpose for the company if they are to be taken seriously by anyone. Even the press will look with a jaundiced eye on something that is created just for its benefit. Obtaining publicity can be one of the aims of a project, but it must stand on its own feet as a legitimate undertaking if it is to be successful.

Certain kinds of events created for the sake of publicity are called "publicity stunts." These are practiced widely in the entertainment field, and from time to time are tried in the commercial world as well. The technique usually involves the invention of a real-life situation which has a relation to the subject being publicized and which is so dramatic that it must be covered in the press. Thus, if a movie called "The Man on the Ledge" has just opened, the publicist may get a man to stand on the ledge of a tall building in the center

of town and threaten to jump; when saved by the police, he will say that he got the idea from the movie.

Sometimes publicity stunts are complicated and end up in lawsuits because of deception or defamation of character. They may include phony marriages or divorces, celebrities getting lost for several days, public fist fights, or supposedly drunken antics in which public property is damaged or marred. A like approach is the use of "cheesecake"—a pretty model in a sexy costume, with a banner proclaiming that she is Miss something-or-other; or a similar picture of a famous motion-picture star, elected by company employees as the girl they would most like to be stranded with on a desert isle. Needless to say, such projects represent publicity in its lowest form and have contributed to the unsavory reputation of press agents in the past.

Not all publicity stunts, however, are phony. To publicize cellophane tape, a homing pigeon may be sent on a 500-mile trip with



"You're in luck! I'm going to explain to you
my personal Weltanschauung!"

a 1,000-dollar bill taped to its leg; or a modern refrigerator may be presented to an Eskimo. Even in such cases, there is some question about the value of the publicity received. The theory seems to be that any mention in the papers must do some good, no matter what the context. This may be valid for the promotion of a short-lived event like the circus, where the more hoopla the better; but for a company that is trying to build its reputation to last for a long time, an undignified stunt can do more harm than good.

TECHNIQUES FOR DIFFERENT MEDIA

There are many ways in which public relations people have learned to work with different media for the benefit of their clients. Here are some of them:

Radio-TV Scripts. These are like press releases, but instead of being written in the style of newspapers they are prepared in the jargon of broadcasting. They are particularly effective for women's service programs.

Interviews. Company executives can be interviewed on radio and television, or by reporters of certain kinds of publications. Broadcast programs which call for this kind of feature material are scheduled either in the morning or afternoon, or late at night; they often reach special audiences that are of particular interest to the company. Publications that use personality material range from those in the trade field to daily newspapers; their stories help strengthen public identification of management leadership.

Dramatic Features. Occasionally it is possible—by working with writers or producers of radio, television, or motion pictures—to include in a drama a sequence concerning something related to the company. This may be a scene that takes place in a factory, a conversation about a trend in modern living, a shopping spree, or a story about a man in a certain business.

Plugs. Mention of a product's name by an entertainer or actor in a motion picture or on a radio or television program may be a valuable piece of publicity for that product. This often happens fortuitously, but even more frequently it is planted by an enterprising publicity man working with the script writer, the producer, and the entertainer himself. The latter may agree to use the commercial name because the publicist suggests an amusing context in which it

can be used to enhance the script. However, there have also been instances of plugs being sold for fixed prices. Such unethical practices have cast a shadow over this type of publicity, and many programs and public relations people stay away from it altogether.

Tie-Ups. These are similar to radio and television plugs, but they take different forms. If, for instance, an advertisement for a bottled soft drink shows a couple enjoying the product while they're picnicking on the beach, tie-ups with a manufacturer of swimsuits, picnic jugs, convertible cars, or other products would fit naturally into the ad. Each of the other items benefits from the tie-up, and the manufacturers would probably be willing to return the favor by promoting the bottled drink in their own advertising.

In the same way, a dramatic program on television can show in the background attractive Venetian blinds, supplied for publicity value by the Venetian blind industry. A fabric designed around the name of a new motion picture may be displayed in theatre lobbies all over the country. And, since in each case the manufacturer will promote the tie-up in its own selling efforts, there is a return benefit to the medium.

SYNDICATES, WIRE SERVICES, AND COLUMNISTS

These are newspaper writers or services whose articles are bought on a contract basis by large numbers of newspapers. Publicists may prepare background information from which columnists can write their pieces; they may write "items" for the column; or they may go so far as to write a complete column—which, if they have the proper style and content, will be used *in toto*. Through syndicates and wire services, an article about a company or product can be given tremendous circulation. Often, however, there is some question about just how wide the circulation is. In some cases the newspapers print everything written by a columnist; in others, they decide whether to print a piece only after seeing it. It is therefore difficult to ascertain the distribution of a particular story.

Mats. Weekly newspapers operate on small budgets; a story sent to them on a mat which can be used directly for plate making saves them money and is more likely to be used than a mimeographed story or press release. There are commercial services that handle the distribution of mats and also provide counsel on the de-

velopment of stories most likely to fit the format of such newspapers.

Photographs. A good photograph is an important asset to a publicist because it helps dramatize the news coverage of the story it illustrates. There are many technical elements that determine a photo's suitability for newspaper publication. Whether it should fit into one, two, or three newspaper columns, for example, depends on the news value of the picture. Also, its subject should show up in strong black-and-white contrasts that will reproduce well under a heavy screen.

The picture must have human interest and dramatize news "taking place before the reader's eyes." For example, a good picture of a testimonial dinner would show the presentation of an award to the man being honored, rather than being a stiff portrait of the man delivering a speech. A good picture of a product would show it in actual use, rather than posed carefully in a staged setting. Newspaper photographs may be less expensive than advertising photographs, but an experienced counselor will not take advantage of this economy; he will employ a top-quality photographer able to produce a photograph that is not only of public relations value to the company, but is also appropriate for the publication.

Good publicity can go far to create a favorable corporate image, and knowledge of the various aspects of publicity will enable executives to contribute to their company's program. If the program is effective, they can help to make it more so; if it is not, they will know the steps to take to improve it. ♦



Book Notes

(Please order books directly from publishers)

MARKETING

WIN, PLACE, SHOW: Effective Business Exhibiting. By Rudolph Lang. Oceana Publications, Inc., 80 Fourth Avenue, New York, 1959. 204 pages. \$7.50. A discussion of all the factors that determine the success or failure of an exhibit. Among the subjects covered are the management of a presentation; budget and cost factors; working with professional show management personnel; problems of space, timing, and staff; and the public relations problems and objectives of an exhibit.

ADVERTISING MANAGEMENT: Text and Cases. (Revised edition.) By Neil H. Borden and Martin V. Marshall. Richard D. Irwin, Inc., Homewood, Ill., 1959. 1065 pages. \$12.00. In this edition, most of the cases are either new or revised, substantial changes have been made in the text—particularly in those chapters dealing with the concept of the marketing mix and the building of advertising programs—and a chapter on the creation of advertisements has been added.

THE IMAGE MERCHANTS: The Fabulous World of Public Relations. By Irwin Ross. Doubleday & Company, Inc., Garden City, New York, 1959. 288 pages. \$4.50. The story of the public relations business and its many aspects. The author discusses typical campaigns and takes the reader through the gallery of men and organizations that make up the public-relations world.

FIFTY YEARS OF MARKETING IN RETROSPECT. By Paul D. Converse. Bureau of Business Research, The University of Texas, Austin, Texas, 1959. 104 pages. \$1.50. A companion study to *The Beginning of Marketing Thought in the United States*, which was written by the author and published by the Bureau early in 1959. Some of the subjects covered are wholesaling and retailing, the theory of high wages, wartime controls, recession and recovery, and free trade and world aid.

STRATEGY AND MARKET STRUCTURE: Competition, Oligopoly, and the Theory of Games. By Martin Shubik. John Wiley & Sons, Inc., 440 Fourth Avenue, New York, 1959. 387 pages. \$8.00. A unified approach to the various theories of competition and markets, using the techniques of game theory. Emphasis is on the general properties of strategic interdependence in economic markets.

HOW TO REACH PEOPLE. The Television Bureau of Advertising, Inc., 444 Madison Avenue, New York, 1959. 91 pages. \$5.00. A guide to the effective use of television advertising, this report on the composition and viewing habits of the television audience consists of tables detailing age and sex, kind of program, time of day of the week, cumulative audience and audience by half-hour periods, network and local programming, and the like.

FOREIGN OPERATIONS

LEGAL ASPECTS OF FOREIGN INVESTMENT. Edited by Wolfgang G. Friedmann and Richard C. Pugh. Little, Brown, & Company, 34 Beacon Street, Boston, Mass., 1959. 812 pages. \$20.00. A symposium on the legal conditions governing foreign investment in 40 countries, this is a joint effort by authorities in the field who are either nationals or residents of the countries concerned. Emphasizing the forms of business organization available to the foreign investor and the relative merits of each with regard to capitalization, managerial control, governmental supervision; and income withdrawal, the book gives special attention to the effect on profits of special investment laws, foreign currency restrictions, import and export regulations, and taxation.

ORGANIZING FOR INTERNATIONAL OPERATIONS. (AMA Research Study 41.) By Alexander O. Stanley. American Management Association, Inc., 1515 Broadway, New York, 1960. 318 pages. AMA members, \$8.00; non members, \$12.00. A report on the organization, history, and methods of foreign operations of U.S. companies. Analyzing the specific methods of 30 organizations, it shows how companies develop their overseas organizations and improve their competitive position in the expanding theater of international operations. More than 50 organization charts and summarized job descriptions are provided.

INVESTING AND LICENSING CONDITIONS IN 34 COUNTRIES. (Fourth Annual Edition.) Business International, 200 Park Avenue South, New York, 1959. 108 pages. \$60.00. Examining the laws and regulations governing investments and licensing agreements in 34 foreign countries and their application to American companies, this report points up both favorable and unfavorable investment climates in the major world markets. In this edition, Ghana, Luxembourg, and the United Arab Republic are covered for the first time, while Cuba, owing to unpredictable conditions and rising anti-Americanism there, has been dropped.

THE UNITED STATES AND LATIN AMERICA. (Final Edition.) The American Assembly, Columbia University, 116 Street & Broadway, New York, 1959. 221 pages. \$2.00. The background papers and final report of the Sixteenth American Assembly held at Arden House last fall. Among the topics covered are political change, the economic picture, and diplomatic relations in Latin America; Latin American governments and the United States; and the role of the press and communications in building better relations with Latin American countries.

HOW TO INVEST AND LIVE IN MEXICO. By Daniel James. Carl D. Ross, Reforma 336, Mexico 6, D. F., 1960. 278 pages. \$5.95. A complete analysis of the Mexican economy, its market, and investment opportunities, this book provides a reference for the businessman who operates, or plans to operate, a business in Mexico or is thinking of retiring there. Explaining frankly why the American businessman was formerly mistrusted by Mexicans, the author

goes on to discuss the practical problems of setting up a business in Mexico and concludes with a forecast of the Mexican economy in the coming decade and how foreigners will fit into the picture.

A GUIDE TO DOING BUSINESS IN THE EUROPEAN COMMON MARKET: Volume 1: France and Belgium. By Rita E. and Gustave M. Hauser. Oceana Publications, 80 Fourth Avenue, New York, 1960. 271 pages. \$7.50. A survey of the general legal framework in which business is conducted in two member countries of the European Common Market—France and Belgium. The authors discuss such matters as French and Belgian corporations and partnerships, commercial law and courts, arbitration, patents and trademarks, banking and stock market institutions, government regulations, and taxation.

THE EUROPEAN COMMON MARKET AND ITS MEANING TO THE UNITED STATES. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York, 1959. 154 pages. \$4.75. The effects of the European Common Market Treaty on the political unity and economic growth of Europe and its significance to American industry form the subject of this statement on national policy by the Research and Policy Committee of the Committee for Economic Development. Discussing the recent gold outflow from this country and its impact on the world economy, the Committee goes on to outline the steps and policies the United States must adopt to maintain a balance in its international payments. Also included is a report by the European Committee for Economic and Social Progress on the primary goals of the Common Market and the steps necessary to achieve them.

MANAGEMENT ACCOUNTING PROBLEMS IN FOREIGN OPERATIONS. National Association of Accountants, 505 Park Avenue, New York, 1960. 71 pages. \$2.50. This survey of the accounting techniques and procedures of 51 companies operating abroad provides a guide for the accountant responsible for reporting results of his company's overseas operations. It includes data on such subjects as organization for the ownership and management of foreign operations, organization of the accounting function, and the methods used in financial reporting at the local levels of foreign and U.S. parent companies.

THE OVERSEAS AMERICANS. By Harlan Cleveland *et al.* McGraw-Hill Book Company, Inc., 330 West 42 Street, New York, 1960. 316 pages. \$5.95. A study of the skills and qualifications needed for successful performance of overseas assignments, this book examines the shortcomings of the policies and performance of Americans now working in foreign countries. The authors go on to outline a program for recruitment, selection, and training and discuss the U.S. Government's role in improving the selection of overseas personnel.

FOREIGN CAPITAL AND ECONOMIC DEVELOPMENT: Japan, India, and Canada. By Nurul Islam. Charles E. Tuttle Company, 28-30 South Main Street, Rutland, Vt., 1960. 252 pages. \$5.00. Examining the various aspects of foreign investment in underdeveloped nations, the author discusses the effects of sudden prosperity in three widely diversified countries. He analyzes the reasons for the success or failure of foreign investment in each country and concludes with a forecast of what is likely to happen if foreign capital is intelligently directed.

Publications Received

(Please order books directly from publishers)

GENERAL

EFFECTIVE REPORT WRITING: FOR BUSINESS, INDUSTRY, AND GOVERNMENT. By Norman B. Sigband. Harper & Brothers, 49 East 33 Street, New York, 1960. 688 pages. \$6.75.

ORGANIZING THE TECHNICAL CONFERENCE. By Herbert S. Kindler. Reinhold Publishing Corp., 430 Park Avenue, New York, 1960. 139 pages. \$6.00.

HANDBOOK OF ADULT EDUCATION IN THE UNITED STATES. Edited by Malcolm S. Knowles. Adult Education Association of the U.S.A., 743 North Wabash Avenue, Chicago, Ill. 1960. 640 pages. \$7.50.

THE GROWTH AND CHANGING COMPOSITION OF TRADE BETWEEN CANADA AND THE UNITED STATES. By Grant L. Reuber. National Planning Association, 1606 New Hampshire Avenue, N. W., Washington, D. C., 1960. 87 pages. \$2.00.

THINK. Edited by Charles Preston. Fawcett Publications, Inc., 67 West 44 Street, New York, 1960. 125 pages. 25 cents.

EVERYBODY'S BOOK OF BETTER SPEAKING. By Dorothy Uris. David McKay Company, Inc., 119 West 40 Street, New York, 1960. 267 pages. \$4.95.

THE THEORY OF LINEAR ECONOMIC MODELS. By David Gale. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York, 1960. 330 pages. \$9.50.

SMALL INDUSTRY: An International Annotated Bibliography. Compiled by Marian Crites Alexander-Frutschi. The Free Press of Glencoe, Ill., 119 West Lake Street, Chicago 1, Ill., 1960. 218 pages. \$10.00.

HOW TO BUY A SMALL BUSINESS. By Maxwell J. Mangold. Pilot Industries, Inc., 42 West 33 Street, New York, 1960. 32 pages. \$2.00.

PROCEEDINGS OF THE INTERNATIONAL CONFERENCE ON CONTROL OF RESTRICTIVE BUSINESS PRACTICES. Sponsored by The University of Chicago. The Free Press of Glencoe, Ill., 119 West Lake Street, Chicago 1, Ill., 1960. 380 pages. \$10.00.

A REPORT ON USSR ELECTRIC POWER DEVELOPMENTS, 1958-1959. Edison Electric Institute, 750 Third Avenue, New York, 1960. 81 pages. \$2.25.

LISTEN, MR. PRESIDENT. By George Black. Chilton Company, Book Division, 56 and Chestnut Streets, Philadelphia, Penna., 1960. 130 pages. \$5.00.

CORRESPONDENCE MANUAL AND TRANSCRIBERS' HANDBOOK. By Leslie Llewellyn Lewis and Marilyn French. The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago, Ill., 1959. 192 pages. \$7.50.

THE DEPARTMENT STORE: An Informal Talk on Store Organization. By Lyndall F. Urwick. Urwick, Orr & Partners Limited, 14 Hobart Place, London, S.W. 1, England, 1960. 25 pp. 5 shillings.

FINANCE

EQUITY AND LOAN CAPITAL FOR NEW AND EXPANDING SMALL BUSINESS.

Prepared by Harold T. Smith. The W. E. Upjohn Institute for Employment Research, 709 South Westnedge Avenue, Kalamazoo, Mich., 1960. 103 pages. Gratis.

CAPITAL IN TRANSPORTATION, COMMUNICATIONS, AND PUBLIC UTILITIES:

Its Formation and Financing. By Melville J. Ulmer. Princeton University Press, Princeton, New Jersey, 1960. 548 pages. \$12.00.

CREDIT AND COLLECTION PRINCIPLES AND PRACTICE.

(Seventh Edition.) By Albert F. Chapin and George E. Hassett, Jr. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York, 1960. 589 pages. \$7.50.

FEDERAL PATENT POLICY: Key Issues in Current Government Studies of Patent Rights Under Government Contracts.

Machinery and Allied Products Institute, 1200 18 Street, N. W., Washington 6, D. C., 1960. 111 pages. Single copies, \$1.50.

DYNAMICS OF THE PATENT SYSTEM.

Edited by William B. Ball. Central Book Company, Inc., 850 De Kalb Avenue, Brooklyn 21, N. Y., 1960. 449 pages. \$12.50.

STATISTICS: With Applications in Management and Economics. By Karl K. Bowen. Richard D. Irwin, Inc., Homewood, Ill., 1960. 415 pages. \$7.80.

PRACTICAL PROBLEMS IN BUSINESS STATISTICS.

(Second Edition.) By Dudley J. and Mercedes S. Cowden. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1960. 96 pages. \$4.25.

PREFACE TO ECONOMETRICS: An Introduction to Quantitative Methods in Economics.

By Michael J. Brennan, Jr. South-Western Publishing Company, Inc., 5101 Madison Road, Cincinnati, Ohio, 1960. 419 pages. \$6.50.

FEDERAL AGENCIES FINANCING RESEARCH: Complete 1960 Guide to Government Grants and Contracts.

Social Legislation Information Service, Inc., 1346 Connecticut Avenue, N. W., Washington 6, D. C., 1959. 27 pages. \$1.00.

THE EMERGING ECONOMIC PROBLEMS OF THE 1960's.

Research Department, National Association of Manufacturers, 2 East 48 Street, New York, 1960. 16 pages, \$1.00.

11-YEAR STOCK RECORD: 1949-59.

Financial World, 17 Battery Place, New York 4, N. Y., 1960. 71 pages. \$2.00.

FOREIGN OPERATIONS

AN INTRODUCTION TO DOING IMPORT AND EXPORT BUSINESS.

Foreign Commerce Department, Chamber of Commerce of the United States, Washington, D. C., 1959. 137 pages. \$2.00.

REACHING NEW MARKETS FROM A BUSINESS BASE IN BELGIUM.

Department of Foreign Affairs and External Trade and Department of Economic

Affairs, Brussels, Belgium, 1960. (Copies available from Belgian Industrial Information Service, 630 Fifth Avenue, New York.) 80 pages. Gratis.

A SELECT BIBLIOGRAPHY: Asia, Africa, Eastern Europe, and Latin America.

American Universities Field Staff, Inc., 366 Madison Avenue, New York, 1960. 534 pages. \$5.00.

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